

To: Hon Dr David Clark, Associate Minister of Finance
Hon Eugenie Sage, Minister for Land Information

ASSESSMENT REPORT: Inner Mongolia Rider Horse Industry (NZ) Limited

Date	25 November 2019	Classification	IN CONFIDENCE: Commercially sensitive
OIO reference (Report reference)	201900304 report number 1482	Priority	High

Action Sought

Minister	Action	Suggested Deadline
Hon Eugenie Sage, Minister for Land Information	<ol style="list-style-type: none"> Review the attached report and decide whether to grant consent to the application Forward the report and attachments to the Associate Minister of Finance 	19 December 2019 Share Purchase Agreement has a 20 December 2019 condition date
Hon Dr David Clark, Associate Minister of Finance	<ol style="list-style-type: none"> Review the attached report and decide whether to grant consent to the application Forward the report and attachments to the Overseas Investment Office 	19 December 2019 Share Purchase Agreement has a 20 December 2019 condition date

LINZ Contacts

Name	Position	Contact number	First contact
[s 9(2)(g)(ii)]	Manager Applications	[s 9(2)(g)(ii)]	<input checked="" type="checkbox"/>
[s 9(2)(g)(ii)]	Senior Advisor/Solicitor	[s 9(2)(g)(ii)]	<input type="checkbox"/>

Minister's office to complete

1 = Was not satisfactory		2 = Fell short of my expectations in some respects		3 = Met my expectations	
4 = Met and sometimes exceeded my expectations			5 = Greatly exceeded my expectations		
Overall Quality	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Comments					
<input type="checkbox"/> Noted	<input type="checkbox"/> Seen	<input type="checkbox"/> Approved	<input type="checkbox"/> Overtaken by events		
<input type="checkbox"/> Withdrawn	<input type="checkbox"/> Not seen by Minister		<input type="checkbox"/> Referred to:		

ASSESSMENT REPORT: Inner Mongolia Rider Horse Industry (NZ) Limited

Overview

Purpose

1. We seek Ministers' decision on the application by Inner Mongolia Rider Horse Industry (NZ) Limited (**the Applicant**) under the Overseas Investment Act 2005 (**the Act**) to acquire:
 - a minority interest (35%) in Bauhinia Farm Limited (**BFL**) that owns 119.425 hectares of non-urban land (a horse stud farm) at 1,544 Kakaramea Road, Temple View, Hamilton
 - a leasehold interest over that same land for 12 years.

Key information

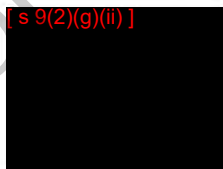
Applicant	Inner Mongolia Rider Horse Industry (NZ) Limited (China, People's Republic of 83.29%; Hong Kong (SAR) 10.61%; Various 4.64%; United States of America 1.46%)
Vendor	CHG Investments Limited (New Zealand 75.001%; Australia 24.999%)
Lessor	Bauhinia Farm Limited regarding the leasehold interest (Hong Kong 65.000%; New Zealand 26.25035%; Australia 8.74965%)
Consideration	\$5.44 million
Application type	Sensitive land - not residential (Benefit to New Zealand - S&I)
Relevant tests	Investor test Benefits test – substantial and identifiable benefits

2. Please refer to the **A3 in Attachment 6** for overview tables summarising the application and the Overseas Investment Office's (**OIO's**) assessment.

Provisional recommendation

3. Our provisional recommendation is to **grant consent**.
4. If you agree to grant consent, we recommend that you make the determinations set out in paragraphs 5 to 9 below.

[s 9(2)(g)(ii)]



Manager Applications (Overseas Investment Office)

Date: 25 / 11 / 2019

Decision

5. I determine that:

5.1 the 'relevant overseas person' is (collectively): Inner Mongolia Rider Horse Industry (NZ) Limited, Inner Mongolia Rider Horse Industry Co., Ltd, Keyouzhongqi Rider Horse Industry Co., Ltd, and Lin Lang.

5.2 the 'individuals with control of the relevant overseas person' are:

IWC	Role
Lin Lang	Director of the Applicant, the Applicant's Parent, and Keyouzhongqi Rider Horse
Ping Yau Poon	Director of the Applicant and the Applicant's Parent
Mingli Zuo	Director of the Applicant's Parent
Xiaojie Guan	
Si Ha	
Shubing Luan	
Qingwen Yin	
Yonghong Luo	
Quan Ding	
Bo Hong	

5.3 the individuals with control of the relevant overseas person collectively have business experience and acumen relevant to the overseas investment;

5.4 the relevant overseas person has demonstrated financial commitment to the overseas investment;

5.5 all the individuals with control of the relevant overseas person are of good character; and

5.6 each individual with control of the relevant overseas person is not an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009 (which sections list certain persons not eligible for visas or entry permission under the Immigration Act); and

6. I am satisfied that the investor test in section 16(1)(a)-(d), as outlined in paragraph 5 above, has been met; and

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

7. I am satisfied, in relation to the benefits test, that:

7.1 the criteria for consent in sections 16 and 16A have been met;

7.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and

7.3 the benefit will be, or is likely to be, substantial and identifiable.

Decision

5. I determine that:

5.1 the 'relevant overseas person' is (collectively): Inner Mongolia Rider Horse Industry (NZ) Limited, Inner Mongolia Rider Horse Industry Co., Ltd, Keyouzhongqi Rider Horse Industry Co., Ltd, and Lin Lang.

5.2 the 'individuals with control of the relevant overseas person' are:

IWC	Role
Lin Lang	Director of the Applicant, the Applicant's Parent, and Keyouzhongqi Rider Horse
Ping Yau Poon	Director of the Applicant and the Applicant's Parent
Mingli Zuo	Director of the Applicant's Parent
Xiaojie Guan	
Si Ha	
Shubing Luan	
Qingwen Yin	
Yonghong Luo	
Quan Ding	
Bo Hong	

5.3 the individuals with control of the relevant overseas person collectively have business experience and acumen relevant to the overseas investment;

5.4 the relevant overseas person has demonstrated financial commitment to the overseas investment;

5.5 all the individuals with control of the relevant overseas person are of good character; and

5.6 each individual with control of the relevant overseas person is not an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009 (which sections list certain persons not eligible for visas or entry permission under the Immigration Act); and

6. I am satisfied that the investor test in section 16(1)(a)-(d), as outlined in paragraph 5 above, has been met; and

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

7. I am satisfied, in relation to the benefits test, that:

7.1 the criteria for consent in sections 16 and 16A have been met;

7.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and

7.3 the benefit will be, or is likely to be, substantial and identifiable.

7.4 The residential land outcome listed as item 2 in the table in clause 19 of Schedule 2 of the Act, 'use for non-residential purposes' applies to the residential land and consent is made subject to a condition requiring this residential outcome.

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

8. I am satisfied, in relation to farm land advertising that they are exempt from the criteria, as set out in the Report.

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

9. Consent is granted to the investment in the form of the Proposed Decision in Attachment 1

Associate Minister of Finance

Minister for Land Information

Grant consent subject to the conditions in the Proposed Decision

Grant consent subject to the conditions in the Proposed Decision

Grant consent with amended conditions provided on: 7/12/19

Grant consent with amended conditions provided on:

Consent declined

Consent declined



Hon Dr David Clark
Associate Minister of Finance
Date: 18/12/19

Hon Eugenie Sage
Minister for Land Information
Date: / /

7.4 The residential land outcome listed as Item 2 in the table in clause 19 of Schedule 2 of the Act, 'use for non-residential purposes' applies to the residential land and consent is made subject to a condition requiring this residential outcome.

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

8. I am satisfied, in relation to farm land advertising that they are exempt from the criteria, as set out in the Report.

Associate Minister of Finance

Minister for Land Information

Agree

Agree

Disagree

Disagree

9. Consent is granted to the investment in the form of the Proposed Decision in Attachment 1

Associate Minister of Finance

Minister for Land Information

Grant consent subject to the conditions in the Proposed Decision

Grant consent subject to the conditions in the Proposed Decision

Grant consent with amended conditions provided on:

Grant consent with amended conditions provided on:
see attached 7/12/19

Consent declined

Consent declined

E M Sage

Hon Dr David Clark

Hon Eugenie Sage

Associate Minister of Finance

Minister for Land Information

Date: / /

Date: 7/12/19

ATTACHMENT 1 - PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [Date]

The following people have been given the following consent:

Case	201900304
Consent	Inner Mongolia Rider Horse Industry (NZ) Limited may acquire the Shares and the Leasehold Interest subject to the Conditions set out below.
Consent holder/s	Inner Mongolia Rider Horse Industry (NZ) Limited We will also refer to the Consent holder as you .
Land	Approximately 35% freehold interest in approximately 119.425 hectares at 1,544 Kakaramea Road, Temple View, Hamilton being land comprised of the following computer freehold registers 40036, 40037, 234018
Shares	Up to 35% of the shares in BFL that has a freehold interest in the Land
Leasehold Interest	A leasehold interest over the Land for a term of no more than 12 years
Timeframe	You have until 20 December 2020 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard conditions and Reporting conditions (Conditions) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the conditions, we refer to the Overseas Investment Office as OIO, us or we.

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Residential land	
You must use the residential land (as contained in record of title 234018) for non-residential purposes in the ordinary course of business relating to operating a horse stud.	At all times
Special condition 2: New job opportunities	
You must create 7 new FTE jobs on the Land. You must continue to employ a minimum of the equivalent of 18 FTE on the Land. If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.	By 31 March 2022 Ongoing from 31 March 2022
Special condition 3: Additional investment	
You must introduce into New Zealand the following amounts of additional investment for development purposes and complete these developments by the required dates set out below. If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.	
(a) [s 9(2)(b)(i)] on acquiring new breeding horses including young stallion prospects, stallions and high-quality young broodmares	By 31 March 2025
(b) [s 9(2)(b)(ii)] of capital expenditure in the Land including:	By 31 March 2025

(i) relocating and improving the foaling facility (ii) improving the track surface and drainage (iii) a horse treadmill	By 31 March 2022
(iv) a new office building (v) paddock recovery and renovation	By 31 March 2023
(vi) tarsealing the main raceways	By 31 March 2024
(vii) a new stallion barn and improvements to the existing stallion serving area (viii) a horse swimming pool or water walker (ix) a second horse treadmill.	By 31 March 2025

Special condition 4: Increased export receipts

You must export a minimum of 100 live horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures per year	Ongoing from the year commencing 1 April 2022.
You must export a minimum of 100 horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures every three years	Ongoing from the year commencing 1 April 2022.
You must export a minimum of 100 horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures every three years <i>EMD</i>	For the period commencing 1 April 2020 to 31 March 2025
If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.	

Special condition 5: Breed horses

You must breed and raise a minimum of 80 foals on the Land	Ongoing from the year commencing 1 April 2022
You must breed and raise a minimum of 270 foals on the Land <i>Delete</i>	Ongoing from the year commencing 1 April 2022 <i>ED.</i>

If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.

Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: acquire the Shares and the Leasehold Interest	
<p>You must acquire the Shares and the Leasehold Interest:</p> <ol style="list-style-type: none"> 1. by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Shares and the Leasehold Interest, and 2. using the acquisition, ownership and control structure you described in your application. <p>Note, only you – the named Consent holder - may acquire the Shares and the Leasehold Interest, not your subsidiary, trust or other entity.</p>	As stated in the Consent
Standard condition 2: tell us when you acquire the Shares and the Leasehold Interest	
<p>You must tell us in writing when you have acquired the Shares and the Leasehold Interest.</p> <p>Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Shares and the Leasehold Interest (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired the Shares and the Leasehold Interest, and 4. copies of any transfer documents and Settlement statements. 	As soon as you can, and no later than two months after Settlement
Standard condition 3: allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions.</p> <p>We will give you at least two weeks' written notice if we want to</p>	At all times

do this.

You must then:

1. Allow a person we appoint (**Inspector**) to:
 - (a) enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (**Inspection**),
 - (b) remain there as long as is reasonably required to conduct the inspection,
 - (c) gather information,
 - (d) conduct surveys, inquiries, tests and measurements,
 - (e) take photographs and video records, and
 - (f) do all other things reasonably necessary to carry out the Inspection.
2. Take all reasonable steps to facilitate an Inspection including:
 - (a) directing your employees, agents, tenants or other occupiers to permit an Inspector to conduct an Inspection,
 - (b) being available, or requiring your employees, agents, tenants or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required.
3. During an Inspection:
 - (a) we will not compel you and your employees, agents, tenants or other occupiers to answer our questions or to let us look at, copy or take away documents,
 - (b) our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection.

Standard condition 4: remain of good character

You and the Individuals Who Control You:

1. must continue to be of good character, and
2. must not become an individual of the kind referred to in section 15 or section 16 of the Immigration Act 2009. In summary, these sections describe convicted or deported people who are not eligible for visa or entry permission to enter or be in New Zealand and people who are considered likely to commit an offence or to be a

At all times

<p>threat or risk to security, public order or the public interest.</p> <p>The Individuals Who Control You are individuals who:</p> <ul style="list-style-type: none"> (a) are members of your governing body, (b) directly or indirectly, own or control 25% or more of you or of a person who itself owns or controls 25% or more of you, and (c) are members of the governing body of the people referred to in paragraph (b) above. 	
<p>Standard condition 5: tell us about changes that affect you, the people who control you, or people you control</p>	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <ul style="list-style-type: none"> 3. You, any Individual Who Controls You, or any person in which you or any individual who controls you hold (or at the time of the offence held) a 25% or more ownership or control interest commits an offence or contravenes the law anywhere in the world. This applies whether or not you or they were convicted of the offence. In particular, please tell us about any offences or contraventions that you are charged with or sued over and any investigation by enforcement or regulatory agencies or professional standard bodies. 4. An Individual Who Controls You ceases to be of good character; commits an offence or contravenes the law (whether they were convicted or not); becomes aware of any other matter that reflects adversely on their fitness to have the Shares or the Leasehold Interest; or becomes an individual of the kind referred to in <u>section 15 or 16</u> of the Immigration Act 2009 (see standard condition 4). 5. You cease to be an overseas person or dispose of all or any part of your interests in the Land. 6. You, any Individual Who Controls You, or any person in which you or any Individual Who Controls You hold (or at the time of the event held) a 25% or more ownership or control interest: <ul style="list-style-type: none"> (a) becomes bankrupt or insolvent (b) has an administrator, receiver, liquidator, statutory manager, mortgagee's or chargee's agent appointed, or (c) becomes subject to any form of external administration. 	<p>Within 20 working days after the change</p>

Standard condition 6: dispose of the Land if you do not comply with key Special conditions

Some of the special conditions were key to the decision to give consent. If we consider you have failed to comply with one of those Special conditions in a material way we may require you to dispose of your interest in the Land.

If all or part of this Standard condition 6 applies to a Special condition, we have said so in that condition.

We will give you written notice if we require you to dispose of your interest in the Land. After we have given you notice, you must:

- | | |
|--|--|
| 1. Dispose of the Land: dispose of your interest in the Land to a third party who is not your associate. | Within six months of our notice. |
| 2. Report disposal to us: send us, in writing, evidence:
(a) that you have disposed of your interest in the Land,
(b) of disposal (including copies of termination or an assignment of lease and any evidence in support of your disposal of your interest in the Land),
(c) if disposing by way of assignment, the third party is not your associate. | Within one month after your interest in the Land has been disposed of. |

Reporting conditions

We need information from you about how your Investment Plan is tracking so we can monitor your progress against the Conditions and so we can measure the benefits you have brought to New Zealand through your investment.

You must lodge a **report**. It must:

1. be sent to **oiomonitoring@linz.govt.nz** by these dates:
 - (a) Year two: *30 April 2022*
 - (b) Year four: *30 April 2024*
 - (c) Year five: *30 April 2025*
2. contain information about:
 - (a) your progress in implementing the special conditions, and specifically
 - (b) the number and type of jobs created;
 - (c) the amount capital invested in the Land and the type of investment;
 - (d) the number of horses bred on the Land;
 - (e) the number of horses trained on the Land;
 - (f) the number of horses exported and sold domestically.
3. follow the format of the template report published on our website
4. If requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:
 - (a) The representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the content was granted or
 - (b) The conditions of this consent.

Executive summary

1. Inner Mongolia Rider Horse Industry (NZ) Limited (**the Applicant**) seeks consent to acquire:
 - an up to 35% ownership interest in Bauhinia Farm Limited (**BFL**) that owns 119.425 hectares of non-urban land at 1,544 Kakaramea Road, Temple View, Hamilton (**Highview Stud**)
 - a 12-year leasehold interest (consisting of a 3-year initial term and 3 rights of renewal for 3 years) in Highview Stud¹together the "**Investment**".
2. Highview Stud is a horse stud near Hamilton (see figures below).



Figure 1: Location of Highview Stud

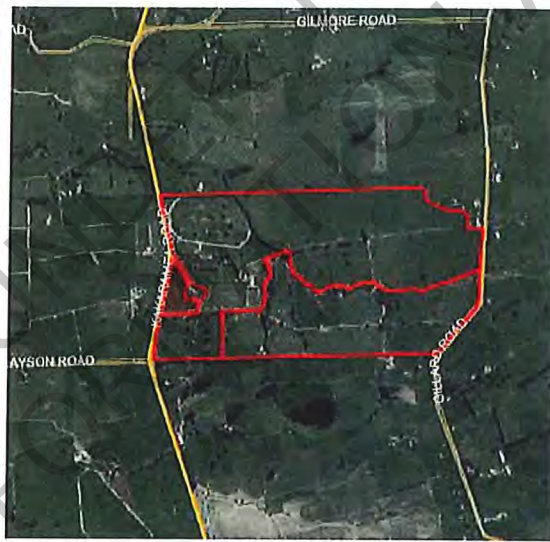


Figure 2: Aerial photograph of Highview Stud

3. It is well-run; however, it requires additional capital. Brent and Louise Gillovic who have a minority ownership interest and currently run Highview Stud plan to retire. The remaining stakeholders with an ownership interest do not have the capital or expertise to run it. In addition, the CHG Investments Limited shareholders who have a 35% ownership interest in BFL and Highview Stud want to sell their ownership interest.
4. The Applicant has been in business in New Zealand since 2012. Its main business activities are exporting, breeding and racing horses in New Zealand and China. The Applicant currently has [REDACTED] horses across Highview Stud and Willow Glen Stud.²

¹ A residential property is located within Highview Stud on a separate land title. It is not part of this application.

² The Applicant submits it had a sublease from 1 August 2018 to 31 July 2019 and currently has a rolling monthly sublease to keep horses and use the facilities at Highview Stud and has an agistment arrangement at Willow Glen Stud.

5. The benefits to New Zealand that are likely to result from this investment include:

Strong weighting		New job opportunities: creating new job opportunities in regard to the expanded operation.
Moderate weighting		Additional investment: introducing and spending additional investment on developing Highview Stud and acquiring new breeding horses. Export receipts: increasing the export of thoroughbred horses by approximately [redacted] per year.
Weak weighting		Greater productivity: breeding an additional [redacted] horses per year; and training a greater number of horses on the property. Advance Government policy: advancing the recommended outcomes in the Messara Report relating to horse racing. Previous overseas investments: The Applicant has had a business in New Zealand since 2012 which has employed staff and exported horses.

6. Guidance for applying the Act is set out in **Attachment 2**.

Timing

7. The Applicant submits it needs consent by 20 December 2019, otherwise its Share Purchase Agreement with the Vendor may be cancelled.

8. Processing days for the application to date are:

Quality Assurance	OIO Processing	Waiting for Applicant / Vendor	Third party consultation
9	40	20	24

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Applicant and investor test

9. This section describes the Applicant, and whether the investor test criteria in the Act are likely to be met.

Who is making the investment

10. The Investment is being made by Inner Mongolia Rider Horse Industry (NZ) Limited (**the Applicant**), a New Zealand incorporated company. It has been in business in New Zealand since 2012.
11. The Applicant's main business activities are breeding, exporting and racing horses in New Zealand and China. It has an Auckland office with 5 staff. It has exported approximately 1,700 horses to China since 2012, and currently has [REDACTED] horses across Highview Stud and Willow Glen Stud in Waimate.³

Overview of assessment: investor test

Element of investor test	OIO assessment of strengths and weaknesses		Cross-references
	Risk Barometer	Summary	
Relevant overseas persons (ROP) and individuals with control (IWC) confirmed	ROP/IWC identified	ROP and IWC identified	Paras 12 - 18 Section 15 of the Act
Collectively have business experience and acumen relevant to the investment	Test met	The IWCs have experience directly relevant to the investment	Paras 19 - 20 Section 16(2)(a) of the Act
ROP demonstrated financial commitment	Test met	The Applicant has demonstrated financial commitment by paying the filing fee and engaging professional advisors.	Section 16(2)(b) of the Act
Good character	Limited concerns	We are satisfied the IWC are of good character. However, we note a political donation by the Applicant received some adverse media attention.	Paras 21 - 25 and Attachment 5 Section 16(2)(c) of the Act
Not an individual of the kind ineligible for a visa or entry permission under ss 15 or 16 of the Immigration Act 2009	Test met	Statutory declarations provided confirming that each individual is not of the kind referred to in ss 15 or 16 of the Immigration Act.	Section 16(2)(d) of the Act

³ The Applicant submits it had a sublease from 1 August 2018 to 31 July 2019 and currently has a rolling monthly sublease to keep horses and use the facilities at Highview Stud and has an agistment arrangement at Willow Glen Stud.

Ownership and control of the Applicant

12. The Applicant is 100% owned by Inner Mongolia Rider Horse Industry Co.,Ltd. (**the Applicant's Parent**), a company incorporated in China.
13. The Applicant's Parent has several shareholders:
- Keyouzhongqi Rider Horse Industry Co., Ltd (**Keyouzhongqi Rider Horse**) has a 25% or more interest. Keyouzhongqi Rider Horse is 100% owned by Lin Lang, a wealthy Chinese businessman
 - four venture funds have 5% or more interests
 - the remaining shareholders have less than 5% interests.

Shareholder	Ownership
Lin Lang via Keyouzhongqi Rider Horse	32.7%
Wuxi SMC Binhu Enterprise Venture Fund	11.1%
Deton Xinneng (Shangha) Venture Fund	7.7%
Jiangsu Yuedataihe Venture Fund	7.7%
Hangzhou CDF Fujin Venture Fund	6.6%
Shareholders with a less than 5% interest	34.2%

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14. We set out the following ownership structure diagram of the Applicant (where the Applicant is described as 'Rider Horse NZ').

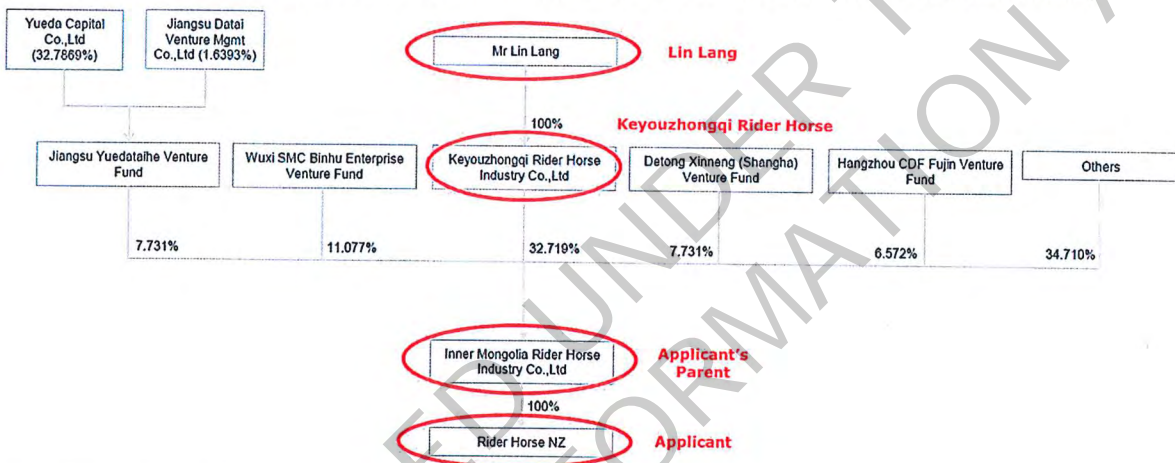


Figure 3: Ownership diagram for the Applicant

15. Both the Applicant and the Applicant's Parent are part of the Rider Horse Group. It was established in 2006 by Lin Lang who is its Chair and CEO. It claims to be China's largest non-farming horse breeder and feedstock trader.
16. Lin Lang is central to the Investment given his respective roles and ownership interests in the Applicant; the Applicant's Parent, Keyouzhongqi Rider Horse and the Rider Horse Group. Prior to the Rider Horse Group, Lin Lang founded and built the Chuanwangfu chain of restaurants.
17. We have determined that the 'relevant overseas person' (ROP) is (collectively):

ROP	Relationship
Inner Mongolia Rider Horse Industry (NZ) Limited	The Applicant
Inner Mongolia Rider Horse Industry Co., Ltd	100% parent of the Applicant
Keyouzhongqi Rider Horse Industry Co., Ltd	32.7% ownership interest in the Applicant's Parent
Lin Lang	32.7% ownership interest in the Applicant and the Applicant's Parent via 100% ownership interest in Keyouzhongqi Rider Horse

18. We have determined that the 'individuals with control of the relevant overseas person' (IWC) are:

IWC	Role
Lin Lang	Director of the Applicant, the Applicant's Parent, and Keyouzhongqi Rider Horse Chair and CEO of Rider Horse Group
Ping Yau Poon	Director of the Applicant and the Applicant's Parent
Mingli Zuo	Director of the Applicant's Parent
Xiaojie Guan	
Si Ha	
Shubing Luan	
Qingwen Yin	
Yonghong Luo	
Quan Ding	
Bo Hong	

Business experience and acumen

s16(2)(a) of the Act.

The relevant overseas person, or the individuals with control of the relevant overseas person, must have business experience and acumen relevant to the overseas investment. There is considerable flexibility in determining what is relevant and more or less specific expertise may be required depending on the nature of the investment. Business experience and acumen that contributes to an investment's success may be treated as relevant even though the investor may have to supplement its experience and acumen by utilising the experience and acumen of others to ensure the investment succeeds.

19. We have reviewed biographical information provided by the Applicant for the IWC and note they collectively have:
 - business management and oversight qualifications and experience
 - international and local horse industry experience
 - successfully operated the Applicant in New Zealand for several years.
20. Having regard to the above, we are satisfied the IWC collectively have business experience and acumen relevant to the overseas investment.

Good character assessment

s16(2)(c) of the Act.

The decision maker must be satisfied that the individuals with control are of good character. Section 19 of the Act specifies that the decision maker must take the following factors into account (without limitation):

- offences or contraventions of the law by A, or by any person in which A has, or had at the time of the offence or contravention, a 25% or more ownership or control interest (whether convicted or not);
- any other matter that reflects adversely on the person's fitness to have the particular overseas investment.

21. The Applicant has provided a statutory declaration stating that the IWCs are of good character, have not committed an offence or contravened the law as described above and know of no other matter that reflects adversely on their fitness to have the Investment. We are satisfied that the statutory declarations can be relied on as they comply with the requirements of the Oaths and Declarations Act 1957.
22. The Applicant disclosed several good character matters, and we conducted our own open source searches on the ROP and IWC, which found two matters relating to the Applicant's Parent, and one matter relating to the Applicant (refer to Attachment 5 for our full analysis).
23. The two matters relating to the Applicant's Parent were:
 - allegations on an online forum that the Applicant's Parent keeps horses in Inner Mongolia in poor conditions. The Applicant denies the allegations and provided evidence that the animals are taken care of.
 - reports claiming a former employee artificially increased horse prices during his time working the Applicant's Parent. The matter has been resolved, the employee accepted their wrongdoing and no longer works for the Applicant.
24. The matter relating to the Applicant was a \$150,000 political donation the Applicant made to the New Zealand National Party. It received some adverse media interest, because political donations by overseas persons are capped at \$1,500, however the Applicant's donation was legal because it was made through a New Zealand company notwithstanding the company is 100% owned by overseas persons. The Applicant explained the donation was because the New Zealand National Party has regularly sought to strengthen the trade relationship between NZ and China.

25. We consider that the matters above do not preclude a finding that the individuals with control of the relevant overseas person are of good character. Therefore, we are satisfied the individuals with control are of good character.

Provisional conclusion – Investor test

26. Our provisional conclusion is that the investor test is met.

Investment and benefits test

27. This section describes the proposed investment, and our assessment of whether it is likely to meet the benefit criteria in the Act.

Summary of the proposed transaction and the Investment Plan

The proposed transaction

28. The Applicant will acquire:
- an up to 35% ownership interest in BFL that owns 119.425 hectares of non-urban land (a horse stud) at 1,544 Kakaramea Road, Temple View, Hamilton (**Highview Stud**)
 - a 12-year leasehold interest (consisting of a 3-year initial term and 3 rights of renewal for 3 years) in Highview Stud.⁴
29. The Applicant submits its rationale behind the Investment is to:
- have an ownership interest and lease over Highview Stud at which it can keep, breed and train most of its horses in New Zealand; and
 - increase the size of its operation in New Zealand.

Investment plan summary

30. The Applicant has been in business in New Zealand since 2012 and currently has short-term arrangements to keep, breed and train its horses at Highview Stud and Willow Glen Stud.
31. The Applicant plans to increase the size of its operation in New Zealand through acquiring Highview Stud and:
- invest [REDACTED] on improving Highview Stud's fencing, paddock and track surface, and facilities and equipment;
 - invest [REDACTED] on importing quality breeding horses (young stallion prospects, stallions and high-quality young broodmares); and
 - increase Highview Stud's workforce to 18 fulltime and 7 casual staff.
32. The Applicant expects the above investment will double Highview Stud's training capacity enabling it to train up to [REDACTED] horses at a time, which will make Highview Stud more attractive to owners of bloodmares.
33. The Applicant has also estimated that it will increase its breeding of thoroughbred horses for the domestic market from [REDACTED] per annum and its breeding of thoroughbred horses for the international market from [REDACTED] per annum.

⁴ A residential property is located within Highview Stud on a separate land title. It is not part of this application.

34. The Applicant has facilitated Chinese buyers coming to New Zealand to buy New Zealand horses for several years and submits the Investment will enable it to better facilitate this.
35. Following the Investment, Brent and Louise Gillovic will continue running Highview Stud with their staff for 3 years to ensure continued success while it undergoes its transformation, after which the Applicant will run Highview Stud.

Farmland Advertising

36. Highview Stud is considered farm land under the Act. The Investment would normally trigger the farm land offer criterion and advertising requirement under the Act and Overseas Investment Regulations 2005. However, the Investment is exempted under the Act because it belongs to a class of transactions exempted by the Ministers by notice in the Gazette:
 - the share acquisition is exempt because the Applicant is acquiring less than 50% of the beneficial interest and control in BFL; and
 - the leasehold interest is exempt because:
 - the Applicant is acquiring a less than 20-year lease in Highview Stud;
 - in 2005 (being in the 20 years prior to the Investment), Highview Stud was subject to an overseas investment application ("previous transaction"):
 - consent was obtained to that previous transaction; and
 - the farmland advertising criterion was complied with in regard to that application.
37. The Investment was not advertised on the open market. It is likely that the transaction arose due to the Applicant's existing relationship with the Vendors and Lessor.

Residential Land Outcome

38. Highview Stud contains approximately 2.7220 hectares of residential land categorised as Lifestyle-Vacant on the district valuation roll. The Applicant submits there is no dwelling on the residential land, that it is currently used in the Highview Stud business, and that the current use will continue if consent is granted.
39. When an investment includes residential land, it must be established what the outcome will be for the residential land once the investment is completed. There are several residential land outcomes available under clause 19, Schedule 2 of the Act.
40. We consider residential land outcome 2 "use for non-residential purposes" outcome appropriate given the Applicant intends to use the residential land for use in the Highview Stud business.
41. We have also recommended a special condition be imposed that the residential land must only be used in a manner that is consistent with the "use for non-residential purposes" outcome, as set out in item 2 of the table in s19(2)(c) of Schedule 2 of the Act.

What is likely to happen without the investment (Counterfactual)

42. If consent is not granted, we consider it is likely the CHG shareholders would retain the shares, and Brent and Louise Gillovic will continue running Highview Stud in the short-term until an alternative lessee can be found who is likely to maintain the status quo.
43. The CHG shareholders are also likely to eventually sell their shares to a competent and well-funded alternative New Zealand purchaser (ANZP).
44. Without the Investment the Applicant is likely continue with the status quo, using short-term arrangements to run its business in the manner it currently operates.
45. There are two key questions to determine what is likely to occur:
 - who is likely to own the Land
 - what is the likely use of the Land.

Who is likely to own the land?

46. The Vendor and Lessor state several reasons for the transaction:
 - Nicola Chu Ming Nga on behalf of Peter Yip (**the Majority Shareholder**) has a 65% ownership interest, while CHG Investments Limited (**CHG**) holds a 35% ownership interest in BFL;
 - Brent and Louise Gillovic who are minority shareholders in CHG and run Highview Stud are nearing retirement;
 - the Majority Shareholder is not actively involved in running Highview Stud, and the remaining CHG shareholders consider it too difficult to run Highview Stud without further investment;
 - consequently the CHG shareholders want to sell their ownership interest in BFL and Highview Stud;
 - it is likely to be difficult to sell a 35% ownership interest in BFL on the open market (we understand the Majority Shareholder declined an offer for the remaining 35% ownership interest in BFL, which would require consent as the Majority).
47. The Vendor states they would like to sell the shares Highview Stud when Brent and Louise Gillovic retire, though will find it difficult given the shares are a minority and non-controlling interest in BFL.
48. We consider that if consent is not granted, it is likely that the CHG shareholders would retain the shares in the short-term but would eventually sell the shares to a competent and well-funded ANZP.

What is the likely use of the land?

49. In the short-term, we consider it likely Brent and Louise Gillovic will continue running Highview Stud while the Vendor attempts to sell its shares in BFL.
50. We consider it unlikely that any ANZP who purchased the shares is also likely to lease the land given the minority and non-controlling nature of the share interest. We consider it more likely that Highview Stud would be leased to a New Zealand lessee who would be competent and well-funded, and would maintain the status quo, but is unlikely to invest in Highview Stud. This is due to the short-term nature of the interest being acquired and the fact an alternative lessee is unlikely to have the same existing business including connections in China to make it viable to invest in the Stud.

51. Therefore, without the Investment, we consider the most likely counterfactual is Highview Stud being leased to a New Zealand lessee who would be competent and well-funded but is unlikely to invest in Highview Stud.

Applicant's business operations

52. Without the Investment, we consider the Applicant is likely to continue to operate its business as per the status quo. It is unlikely to invest in expanding its business on the same scale.

Consultation

53. We consulted the Department of Conservation and the Walking Access Commission who raised no issues with this application.
54. We also consulted with the Ministry for Primary Industries who advised the Applicant is an investor and exporter of New Zealand racehorses, and that they are not aware of any issues with the Applicant.

Rural land directive

55. In relation to rural land, the Ministerial Directive Letter states:
*"The primary sector, and the rural land it is based on, forms a particularly important part of the New Zealand economy.
The Act acknowledges the privilege associated with the ownership or control of rural land is greater than for non-rural land by requiring the benefits resulting from the overseas investment to be substantial and identifiable (a higher threshold).
The merits of overseas investment in the primary sector can be less compelling given that we are already world leaders in this area. The Government is therefore concerned to ensure that the benefits from overseas investments in rural land are genuinely substantial and identifiable."*
56. We note that the rationale for the Ministerial Directive Letter applies directly to this type of investment as it concerns rural land currently in New Zealand ownership. The Ministerial Directive Letter provides that the following factors will generally be of high relative importance:
- (a) the 'jobs' factor;
 - (b) the 'new technology or business skills' factor
 - (c) the 'increased exports receipts' factor;
 - (d) the 'increased processing of primary products' factor; and
 - (e) the 'oversight and participation by New Zealanders' factor.
57. We do not consider that any other factor should be given high relative importance in the context of this Investment.

Information on this page redacted under s9(2)(b)(ii) unless otherwise noted.

Overview of assessment: investment and benefit test

Relevant benefit factors	Applicant's claims: what they intend to do	Without the investment (Counterfactual)	OIO analysis: strength/weakness		Proposed special conditions and reporting requirements	Cross refs
			Indicative strength	Summary		
New Job opportunities <i>(high relative importance)</i>	It will create 9 FTE and 3 casual jobs.	Unlikely to have additional staff employed at the Stud.	Strong	Additional staff are likely to be employed at Highview Stud to bred and train the additional horses.	Create 7 new FTE jobs Continue to employ the equivalent of 18 FTE at Highview Stud.	Paras 60 - 64
Additional investment	It will invest █████ in Highview Stud's facilities and equipment, and \$6m on new breeding horses.	Unlikely to be additional investment in Highview Stud's facilities and equipment or new breeding horses	Moderate	Additional capital is likely to be introduced into New Zealand for development purposes.	Introduce and spend █████ on new breeding horses and █████ of capital expenditure in Highview Stud.	Paras 65 - 69
Increased export receipts <i>(high relative importance)</i>	It will export an additional █████ horses on average per year to China.	Unlikely to be additional horses exported.	Moderate	Additional horses are likely to be bred and exported overseas creating greater export receipts.	Export a minimum of █████ horses per year from 2022 Export a minimum of █████ horses every three years from 2022 Export █████ horses in total by 31 March 2025.	Paras 70 - 74
Greater efficiency or productivity	It will double Highview Stud's training capacity to █████ horses at a time.	Unlikely to be additional foals bred at the Stud	Weak	Additional horses are likely to be bred, raised and trained at Highview Stud.	Breed and raise at least █████ foals per year on the Land every three years from 2022 Breed and raise at least █████ foals on the Land every three years from 2022	Paras 75 - 79
Advance significant Government policy	The Government Review of the NZ Racing Industry (the Messara Report) and the bloodstock tax rule changes show a desire for	Unlikely to be additional horses available for sale domestically.	Weak	Additional race horses bred and available for sale domestically supporting the industry.	Report on the number of horses sold domestically.	Paras 80 - 84

Relevant benefit factors	Applicant's claims: what they intend to do	Without the investment (Counterfactual)	OIO analysis: strength/weakness		Proposed special conditions and reporting requirements	Cross refs
			Indicative strength	Summary		
	more thoroughbred horse racing, breeding and sales.					
Previous investments	It has been in business in New Zealand since 2012, employing 5 people, spending AU\$2m on breeding horses and sponsoring races.	Not applicable	Weak	The Applicant's previous investments in New Zealand have been of benefit through the employment of staff and the export of horses.	Not applicable.	Para 85

58. The section below sets out our discussion in relation to factors under which we consider the proposed investment is likely to result in benefit to New Zealand.
59. Factors that we considered were either not relevant to the investment, or the benefit to New Zealand was not sufficient enough to be relied on, are discussed in Attachment 3.

Jobs (high relative importance factor)

There are three key elements to this factor (s17(2)(a)(i) of the Act):

- The "new job opportunities" must be new, or if existing jobs are being "retained", the existing jobs would or might otherwise be lost if the investment does not proceed;
- The new job opportunities or retained jobs must be in New Zealand;
- The new job opportunities or retained jobs that are likely to result from the overseas investment must be additional to those which are likely to occur without the overseas investment.

60. We consider the Applicant's investment will lead to new full time equivalent (FTE) and casual jobs.
61. The Applicant submits Highview Stud currently employs 9 FTE and 4 casual staff, and that the Investment will lead to an additional 9 FTE and 3 casual jobs.
62. These roles are required to breed, raise and train the additional horses that are likely to reside at the Stud.

Job description	Existing jobs	New/additional jobs	Final
General Manager	1		1
Stud Manager	1		1
Broodmare Manager		1	1
Stud / breeding groom	3	1	4
Yearling Manager	1 (casual)	1 (casual to full time)	1
Foaling Manger		1 (casual)	1 (casual)
Yearling Staff	2 (casual)	4 (casual)	6 (casual)
Racing Foreman	1		1
Track Riders		2	2
Racing Staff	1	1	2
Farm Manager	1		1
Asst to Farm Manager		1	1
Gardener		1	1
HR & Admin Manager	1		1
Secretary	1 (casual)	1 (casual to full time)	1
Total	9 FTE + 4 casual	9 FTE + 3 casual	18 FTE + 7 casual

63. Without the Investment, existing jobs are likely to be retained, however no new jobs would be created.
64. We have recommended imposing a special condition requiring the Applicant to create an additional 7 FTE at Highview Stud and continue to employ the equivalent of 18 FTE on the property - special condition two in **Appendix 1**.

Additional investment for development purposes

There are four key elements to this factor.

- The investment must be **additional investment**.
- The additional investment must be **introduced into New Zealand**.
- The additional investment must be for **development purposes**.
- The additional investment that is **likely to result** from the overseas investment must be **additional** to that which is likely to occur **without the overseas investment**.

65. We consider the Applicant's investment will lead to the Applicant introducing capital into New Zealand and spending it on Highview Stud for development purposes. We consider the investment is additional to that which is likely to occur without the investment.
66. The Applicant submits it plans to invest approximately [REDACTED] on upgrading Highview Stud and [REDACTED] on new breeding horses. It claims the funding will come from China or from retained earning that could otherwise be remitted to China. The Applicant breaks down these costs.

Description	Cost	Estimated Completion
Import and introduce new bloodlines	[REDACTED]	2020-2024
Replace outdated machinery	[REDACTED]	2020-2024
Relocate and improve foaling facility	[REDACTED]	2021
Improve track surface and drainage	[REDACTED]	2021
New office building	[REDACTED]	2022
Paddock recovery and renovation	[REDACTED]	2022
Replace fencing	[REDACTED]	2023
Tar seal main raceways	[REDACTED]	2023
New stallion barn and improvements to existing stallion serving area	[REDACTED]	2024
Horse swimming pool or water walker	[REDACTED]	2024
2 Horse treadmills	[REDACTED]	2022 & 2024
Total	[REDACTED]	

67. Of these costs, we consider [REDACTED] to be for non-development purposes (replacing outdated machinery and fencing).
68. We consider any additional development that occurs on at Highview Stud, if any, is likely to be of a much smaller nature without the Investment.
69. We have recommended imposing a special condition requiring the Applicant to introduce and invest [REDACTED] on new breeding horses and [REDACTED] of capital expenditure in Highview Stud - special condition three in **Appendix 1**.

Increased export receipts (high relative importance)

There are two key elements to this factor:

- **Export receipts** must be likely to be increased.
- The increased export receipts that are **likely to result** from the overseas investment must be **additional** to those which are likely to occur **without the overseas investment**.

- 70. We consider the Applicant's investment will lead to the Applicant exporting an additional [redacted] horses on average per year. We consider these are additional to those likely to occur without the overseas investment.
- 71. The Applicant submits it exports [redacted] horses on average per year (the Applicant emphasised this is an average and that this figure fluctuates) and will increase that to [redacted] horses on average per year following the Investment.

Type of horses exported / sold	Current average	Average following Investment
Horses bought in New Zealand and exported to China	[redacted]	[redacted]
Horses bought in New Zealand by Chinese clients and exported to China	[redacted]	[redacted]
Horses bred in New Zealand and exported to China	[redacted]	[redacted]
Total horses exported to China	[redacted]	[redacted]

- 72. The additional horses exported are new horses that will be bred in New Zealand. Therefore, they are unlikely to be horses that would have otherwise been exported by other exporters.
- 73. The Applicant is unable to provide an estimation of the value of any export receipts that will arise from the increase in number of horses exported. Given the uncertainty in value of any export receipts resulting from the Investment, we have given this benefit a moderate to low weighting.
- 74. We have recommended imposing a special condition requiring the Applicant to export at least [redacted] horses per year, [redacted] horses every three years, and [redacted] horses by 31 March 2025 (average of [redacted] per year) - special condition four in **Appendix 1**.

Added market competition, greater efficiency or productivity, enhanced domestic services

There are three key elements to this factor:

- The overseas investment must be likely to result in one or more of:
 - (i) **added market competition;**
 - (ii) **greater efficiency or productivity;** or
 - (iii) **enhanced domestic services.**
- The added market competition, greater efficiency or productivity, or enhanced domestic services must occur **in New Zealand.**
- The added market competition, greater efficiency or productivity, or enhanced domestic services that is **likely to result from the overseas investment must be additional** to that which is likely to occur without the overseas investment.

- 75. We consider the Applicant's investment will likely result in greater productivity at Highview Stud due to the increase in the number of horses able to be bred on the property and trained at the property.
- 76. The Applicant submits it plans to import breeding horses and develop the breeding and training programme at Highview Stud. This is likely to result in more horses being bred on the property.
- 77. It also intends to invest to [redacted] Highview Stud's training capacity enabling it to train up to [redacted] horses at a time.
- 78. Given the uncertainties with the number of horses that are likely to be trained at the property and whether there are likely to be additional horses bred on the property, we have given this benefit a low weighting.

79. We have recommended imposing a special condition requiring the Applicant to breed at least [redacted] foals per year and [redacted] foals every three years - special condition five in **Appendix 1**.

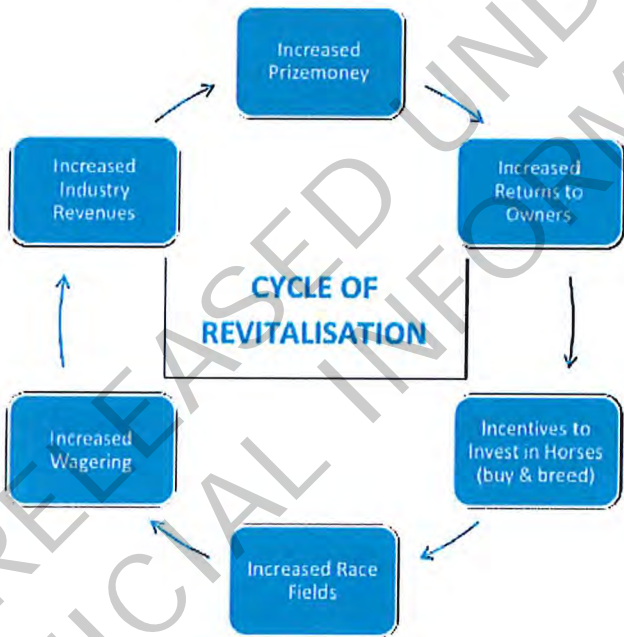
Advance significant government policy or strategy

There are three key elements to this factor:

- The overseas investment must give effect to or advance a specific Government policy or strategy.
- The Government policy or strategy must be significant.
- The effect or advancement that is likely to result from the overseas investment must be additional to that which is likely to occur without the overseas investment.

80. We consider the Investment will advance significant Government policy and strategy to revitalise the horse racing industry by increasing the quantity of New Zealand race horses.

81. We consider revitalising the New Zealand horse racing industry a significant Government policy and strategy. In 2018, the Deputy Prime Minister commissioned a Review of the New Zealand Racing Industry (the Messara Report). It states:
"The single most effective lever available to reinvigorate the New Zealand thoroughbred industry is prize money as it "rewards and supports owners, trainers, jockeys, stable hands and the entire supply chain including breeders, vets, farriers, food merchants"



82. Cabinet has agreed to the overall intent of the Messara Report, and the Government has begun implementing reforms recommended by the Messara Report such as enacting the Racing Reform Act 2019.

83. The Applicant submits it currently breeds and sells [redacted] horses per year in the New Zealand market, and plans to increase that to [redacted] horses bred and sold per year in the New Zealand market.

84. While this strategy is likely to be a significant Government strategy, it is likely to have lower priority than other strategies. This Investment is likely to have a very small effect on the advancement of this strategy. Therefore, we have given this benefit a low weighting.

Previous investments – r28(e)

There are two key elements to this factor:

- The relevant overseas person must have previously undertaken investments;
- The previous investments must have been, or are, of benefit to New Zealand.

85. We consider the Applicant being in business in New Zealand since 2012 has been of benefit to New Zealand, in particular the horse breeding, racing and sales industry. It has an Auckland office with 5 staff. It has also bred and trained horses in New Zealand, selling these domestically and overseas.

Provisional conclusion – benefits test

86. The Applicant seeks to acquire:

- an up to 35% ownership interest in Bauhinia Farm Limited (**BFL**) that owns 119.425 hectares of non-urban land at 1,544 Kakaramea Road, Temple View, Hamilton (**Highview Stud**)
- a 12-year leasehold interest (consisting of a 3-year initial term and 3 rights of renewal for 3 years) in Highview Stud.⁵

87. We assessed the benefit likely to result from this Investment in accordance with the rural land directive contained in the Ministerial Directive Letter.

88. We assessed the characteristics of the land and the nature of the interest being acquired (reflecting the proportional nature of the benefit test) as concerning a 35% freehold interest, and 12-year leasehold interest in approximately 119.425 hectares of sensitive land.

Investment plan

89. The Applicant intends to use its lease of Highview Stud to extend its operations in New Zealand. This is likely to result in the Applicant:

- creating new job opportunities – 9 new full-time and 3 new casual jobs - in regard to the expanded operation;
- introducing and spending additional investment on developing Highview Stud and acquiring new breeding horses;
- increasing the export of horses by approximately [REDACTED] per year;
- breeding an additional [REDACTED] horses per year; and
- training a greater number of horses on the property.

90. The Investment is also likely to advance the recommended outcomes in the Messara Report relating to horse racing. The Applicant has also had a business in New Zealand since 2012 which has employed staff and resulted in horses being exported.

91. The Applicant has demonstrated benefits for two of five factors with high relative importance under the 'rural land directive' in the Ministerial Directive Letter (jobs and export receipts). We consider that the benefits likely to arise from these factors are high and moderate to low respectively.

92. The interest being acquired by the Applicant is a leasehold interest for 12 years in a horse racing stud of 119 hectares as well as an indirect 35% freehold interest in the same land. Taking into account the interest in sensitive land acquired and the value

⁵ A residential property is located within Highview Stud on a separate land title. It is not part of this application.

of the land, we consider the benefits that are likely to arise from the Investment are substantial and identifiable.

Ministerial discretion

93. Determining whether the investment is likely to result in substantial and identifiable benefit is ultimately a matter to be decided by Ministers and involves the exercise of Ministerial judgement. Ministers also have discretion under section 17(1)(c) of the Act to determine the relative importance to be given to each relevant factor (or part).

Impact of declining consent

94. The Lessor is likely to lease Highview Stud to a New Zealand lessee who would be competent and well-funded but is unlikely to invest in Highview Stud. The Applicant would likely continue in business in New Zealand.

Conclusion

95. Our view is that the Applicant has **met** the benefits test. Overall, when examined together, we consider that the benefits of the investment are likely to be **substantial and identifiable**.

Provisional recommendation

96. Our provisional recommendation is to **grant consent**, as we consider that the investor test and the benefits test have been met.
97. If you agree, we refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and to paragraphs 5 to 9 of this Assessment Report to record your decision.

List of Attachments

1. Proposed Decision
2. Guidance for applying the Act
3. Attachment 3
4. Attachment 4

List of other documents in the Bundle

- A. Application
- B. Investment Plan (Appendix 1 of the Application)

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

ATTACHMENT 1 - PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [date]

The following people have been given the following consent:

Case	201900304
Consent	Inner Mongolia Rider Horse Industry (NZ) Limited may acquire the Shares and the Leasehold Interest subject to the Conditions set out below.
Consent holder/s	Inner Mongolia Rider Horse Industry (NZ) Limited We will also refer to the Consent holder as you .
Land	Approximately 35% freehold interest in approximately 119.425 hectares at 1,544 Kakaramea Road, Temple View, Hamilton being land comprised of the following computer freehold registers 40036, 40037, 234018
Shares	Up to 35% of the shares in BFL that has a freehold interest in the Land
Leasehold Interest	A leasehold interest over the Land for a term of no more than 12 years
Timeframe	You have until 20 December 2020 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard conditions and Reporting conditions (Conditions) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the conditions, we refer to the Overseas Investment Office as OIO, us or we.

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Residential land	
You must use the residential land (as contained in record of title 234018) for non-residential purposes in the ordinary course of business relating to operating a horse stud.	At all times
Special condition 2: New job opportunities	
You must create 7 new FTE jobs on the Land.	By 31 March 2022
You must continue to employ a minimum of the equivalent of 18 FTE on the Land. If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.	Ongoing from 31 March 2022
Special condition 3: Additional investment	
You must introduce into New Zealand the following amounts of additional investment for development purposes and complete these developments by the required dates set out below. If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.	
(a) [REDACTED] on acquiring new breeding horses including young stallion prospects, stallions and high-quality young broodmares	By 31 March 2025
(b) [REDACTED] of capital expenditure in the Land including:	By 31 March 2025

<ul style="list-style-type: none"> (i) relocating and improving the foaling facility (ii) improving the track surface and drainage (iii) a horse treadmill 	By 31 March 2022
<ul style="list-style-type: none"> (iv) a new office building (v) paddock recovery and renovation 	By 31 March 2023
<ul style="list-style-type: none"> (vi) tarsealing the main raceways 	By 31 March 2024
<ul style="list-style-type: none"> (vii) a new stallion barn and improvements to the existing stallion serving area (viii) a horse swimming pool or water walker (ix) a second horse treadmill. 	By 31 March 2025
Special condition 4: Increased export receipts	
<p>You must export a minimum of [REDACTED] live horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures per year</p>	Ongoing from the year commencing 1 April 2022.
<p>You must export a minimum of [REDACTED] horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures every three years</p>	Ongoing from the year commencing 1 April 2022.
<p>You must export a minimum of [REDACTED] horses that includes thoroughbred, standardbred, warmbloods, ponies and miniatures every three years</p>	For the period commencing 1 April 2020 to 31 March 2025
<p>If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.</p>	
Special condition 5: Breed horses	
<p>You must breed and raise a minimum of 80 foals on the Land</p>	Ongoing from the year commencing 1 April 2022
<p>You must breed and raise a minimum of 270 foals on the Land</p>	Ongoing from the year commencing 1 April 2022

If you do not, standard condition 6 will apply and we may require you to dispose of your interests in the Land.

Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: acquire the Shares and the Leasehold Interest	
<p>You must acquire the Shares and the Leasehold Interest:</p> <ol style="list-style-type: none"> 1. by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Shares and the Leasehold Interest, and 2. using the acquisition, ownership and control structure you described in your application. <p>Note, only you – the named Consent holder - may acquire the Shares and the Leasehold Interest, not your subsidiary, trust or other entity.</p>	As stated in the Consent
Standard condition 2: tell us when you acquire the Shares and the Leasehold Interest	
<p>You must tell us in writing when you have acquired the Shares and the Leasehold Interest.</p> <p>Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Shares and the Leasehold Interest (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired the Shares and the Leasehold Interest, and 4. copies of any transfer documents and Settlement statements. 	As soon as you can, and no later than two months after Settlement
Standard condition 3: allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions.</p> <p>We will give you at least two weeks' written notice if we want to</p>	At all times

do this.

You must then:

1. Allow a person we appoint (**Inspector**) to:
 - (a) enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (**Inspection**),
 - (b) remain there as long as is reasonably required to conduct the inspection,
 - (c) gather information,
 - (d) conduct surveys, inquiries, tests and measurements,
 - (e) take photographs and video records, and
 - (f) do all other things reasonably necessary to carry out the Inspection.
2. Take all reasonable steps to facilitate an Inspection including:
 - (a) directing your employees, agents, tenants or other occupiers to permit an Inspector to conduct an Inspection,
 - (b) being available, or requiring your employees, agents, tenants or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required.
3. During an Inspection:
 - (a) we will not compel you and your employees, agents, tenants or other occupiers to answer our questions or to let us look at, copy or take away documents,
 - (b) our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection.

Standard condition 4: remain of good character

You and the Individuals Who Control You:

1. must continue to be of good character, and
2. must not become an individual of the kind referred to in [section 15](#) or [section 16](#) of the Immigration Act 2009. In summary, these sections describe convicted or deported people who are not eligible for visa or entry permission to enter or be in New Zealand and people who are considered likely to commit an offence or to be a

At all times

<p>threat or risk to security, public order or the public interest.</p> <p>The Individuals Who Control You are individuals who:</p> <ul style="list-style-type: none"> (a) are members of your governing body, (b) directly or indirectly, own or control 25% or more of you or of a person who itself owns or controls 25% or more of you, and (c) are members of the governing body of the people referred to in paragraph (b) above. 	
<p>Standard condition 5: tell us about changes that affect you, the people who control you, or people you control</p>	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <ul style="list-style-type: none"> 3. You, any Individual Who Controls You, or any person in which you or any individual who controls you hold (or at the time of the offence held) a 25% or more ownership or control interest commits an offence or contravenes the law anywhere in the world. This applies whether or not you or they were convicted of the offence. In particular, please tell us about any offences or contraventions that you are charged with or sued over and any investigation by enforcement or regulatory agencies or professional standard bodies. 4. An Individual Who Controls You ceases to be of good character; commits an offence or contravenes the law (whether they were convicted or not); becomes aware of any other matter that reflects adversely on their fitness to have the Shares or the Leasehold Interest; or becomes an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009 (see standard condition 4). 5. You cease to be an overseas person or dispose of all or any part of your interests in the Land. 6. You, any Individual Who Controls You, or any person in which you or any Individual Who Controls You hold (or at the time of the event held) a 25% or more ownership or control interest: <ul style="list-style-type: none"> (a) becomes bankrupt or insolvent (b) has an administrator, receiver, liquidator, statutory manager, mortgagee's or chargee's agent appointed, or (c) becomes subject to any form of external administration. 	<p>Within 20 working days after the change</p>

Standard condition 6: dispose of the Land if you do not comply with key Special conditions

Some of the special conditions were key to the decision to give consent. If we consider you have failed to comply with one of those Special conditions in a material way we may require you to dispose of your interest in the Land.

If all or part of this Standard condition 6 applies to a Special condition, we have said so in that condition.

We will give you written notice if we require you to dispose of your interest in the Land. After we have given you notice, you must:

- | | |
|--|--|
| 1. Dispose of the Land: dispose of your interest in the Land to a third party who is not your associate. | Within six months of our notice. |
| 2. Report disposal to us: send us, in writing, evidence:
(a) that you have disposed of your interest in the Land,
(b) of disposal (including copies of termination or an assignment of lease and any evidence in support of your disposal of your interest in the Land),
(c) if disposing by way of assignment, the third party is not your associate. | Within one month after your interest in the Land has been disposed of. |

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Reporting conditions

We need information from you about how your Investment Plan is tracking so we can monitor your progress against the Conditions and so we can measure the benefits you have brought to New Zealand through your investment.

You must lodge a **report**. It must:

1. be sent to **oiomonitoring@linz.govt.nz** by these dates:
 - (a) Year two: *30 April 2022*
 - (b) Year four: *30 April 2024*
 - (c) Year five: *30 April 2025*
2. contain information about:
 - (a) your progress in implementing the special conditions, and specifically
 - (b) the number and type of jobs created;
 - (c) the amount capital invested in the Land and the type of investment;
 - (d) the number of horses bred on the Land;
 - (e) the number of horses trained on the Land;
 - (f) the number of horses exported and sold domestically.
3. follow the format of the template report published on our website
4. If requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:
 - (a) The representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the content was granted or
 - (b) The conditions of this consent.

ATTACHMENT 2 - GUIDANCE FOR APPLYING THE ACT

1. Ministers must grant consent to this overseas investment if they are satisfied that all of the criteria in sections 16 of the Overseas Investment Act are met. They must decline to grant consent if they are not satisfied that all of the criteria in sections 16 are met. Ministers must not take into account any criteria or factors other than those identified in sections 16 and 17, and regulation 28 of the Overseas Investment Regulations.
2. In the attached Report the Overseas Investment Office identifies each of the criteria and factors under sections 16 and 17, and regulation 28 that Ministers are required to consider in this case.

“Benefit to New Zealand criteria”

3. In this case, section 16 requires Ministers to decide, among other things, whether they are satisfied in relation to the following “benefit to New Zealand” criteria:
 - (a) the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders), as determined under section 17 (section 16A,); and
 - (b) that benefit will be, or is likely to be, substantial and identifiable (section 16A).
4. The application of the benefit to New Zealand criteria involves the exercise of Ministerial judgement. The fact that responsibility for making this decision has been conferred on Ministers confirms that this is a high-level decision with significant policy content. That is also apparent from the language and content of the factors that must be considered, many of which require a high degree of evaluative judgement, and are not capable of quantification or calculation.
5. In applying the benefit to New Zealand criteria, Ministers are required to consider each of the factors in section 17(2), determine which of the factors are relevant to the investment, and have regard to the relevant section 17(2) factors. The relative importance to be given to each factor is a matter to be determined by Ministers. In particular, the Act does not require economic factors to be given more weight than non-economic factors, or vice versa. It is a matter for you, in carrying out your overall evaluation, to decide what weight to give to each factor.
6. The decision concerning whether the benefit to New Zealand, or any part of it or group of New Zealanders, is substantial and identifiable under section 16(1)(e)(iii), involves a collective assessment of the relevant factors.

Justice Miller’s “with and without test”

Economic factors

7. The High Court in *Tiroa E and Te Hape B Trusts v Chief Executive of Land Information* [2012] NZHC 147 (“*Tiroa E*”) requires the “economic benefit” factors in section 17(2)(a) to be assessed on the basis of a “counterfactual test”. That is, Ministers must consider with respect to each section 17(2)(a) factor whether the overseas investment is likely to result in a benefit to New Zealand over and above any benefit that will or is likely to result even if the investment does not proceed. It is only the additional benefit from the overseas investment that is relevant when applying the “benefit to New Zealand” criteria.

Non- economic factors

8. Although the position is not free from doubt, the better view is that the same question – will this benefit be achieved even if the overseas investment does not occur – should be asked in relation to the other “non-economic” factors listed in section 17(2)(b)-(e). The High Court judgment suggested⁶ that there could be a benefit in respect of the non-economic factors even if the same benefit would be achieved in the absence of the investment. But as the Court noted⁷, it is not easy to see how a benefit that will happen anyway could be regarded as substantial for the purposes of section 16(1)(e)(iii). We consider that Ministers should not treat benefits that are likely to be achieved in any event as contributing to the “substantial and identifiable benefit” criterion.

Regulation 28 factors

9. With regard to the factors in regulation 28 of the Overseas Investment Regulations 2005, Miller J noted that:

The criteria listed in reg 28 deal, for the most part, with benefits that only an overseas buyer could provide or what may be loosely described as strategic considerations, so they do not require a counterfactual analysis.⁸

10. Many of the factors in regulation 28 are incapable of having a counterfactual analysis applied to them. However, as recognised by Miller J, there are some factors that may require a counterfactual analysis. The Overseas Investment Office has applied a counterfactual analysis where appropriate.

“Rural Land” Directive

11. The overseas investment involves the acquisition of ‘rural land’ being land that is non-urban and over 5 hectares in size (excluding any associated land), but excludes ‘forest land’. Therefore, in accordance with directions from Ministers, we have treated the following factors as being of high relative importance:⁹

- (a) the “jobs” factor (section 17(2)(a)(i));
- (b) the “new technology or business skills” factor (section 17(2)(a)(ii));
- (c) the “increased exports receipts” factor (section 17(2)(a)(iii));
- (d) the “increased processing of primary products” factor (section 17(2)(a)(vi)); and
- (e) the “oversight and participation by New Zealanders” factor (regulation 28(j)).

Conditions

12. Conditions may be imposed on any consent that is granted, under section 25(A). The attached Report recommends some conditions that Ministers may wish to consider imposing in this case.
13. If you wish to make any changes to the conditions of consent, those changes should be discussed with the Overseas Investment Office, and the other Minister, before being finalised.

⁶ *Tiroa E* at [36].

⁷ *Tiroa E* at [38].

⁸ *Tiroa E* at [36].

⁹ Ministerial Directive letter date 28 November 2017, paras 13-17.

Decision

14. The decision that you are required to make should be based on information available to you that you consider is sufficiently reliable for that purpose. The information that the Overseas Investment Office has taken into account in making its recommendation is summarised in the attached Report.
15. If you propose to disagree with the decision of the other Minister, you should discuss your proposed decision with the Overseas Investment Office and the other Minister.
16. If required, staff from the Overseas Investment Office are available to brief you on the Office's recommendations.

Good character criterion

17. Section 16(2)(c) of the Act requires that Ministers be satisfied that the relevant overseas person or, (if that person is not an individual) all the individuals with control of the relevant overseas persons are of good character.
18. The term "good character" is not defined in the Act. The majority of the Select Committee reporting back on the Bill in 2005 confirmed that the "good character" test was needed as it is important to ensure that all persons investing in New Zealand are people unlikely to act inappropriately and bring New Zealand into disrepute.
19. When undertaking the good character assessment, Ministers must be satisfied that the character of all the individuals with control of the relevant overseas person is sufficient so that they should be granted the privilege of owning or controlling sensitive New Zealand assets.
20. The good character test is applicable to individuals, not entities such as body corporates. However, where the investment is to be carried out by a body corporate, the character of the relevant individuals who control the body corporate will need to be considered. Where an offence or contravention is committed by a person to which an individual had a 25% or more ownership or control interest, this is a mandatory consideration. Where the individual's interest in the person is less than this, there generally must be other grounds to reasonably infer participation by the individual in the alleged wrongdoing.
21. Section 19(1) of the Act states that the following factors must be taken into account (without limitation) in assessing whether or not a person is of good character:
 - (a) offences or contraventions of the law by the person, or by any person in which the individual has, or had at the time of the offence or contravention, a 25% or more ownership or control interest (whether convicted or not);
 - (b) any other matter that reflects adversely on the person's fitness to have the particular overseas investment.
22. All relevant matters must be weighted up before making a decision that an individual is of good character. If the decision-maker wishes to rely on a matter to which the applicant has not had an opportunity to respond, then such an opportunity to respond needs to be given to the applicant.
23. How much weight should be given to a particular matter depends on a number of factors, including how closely linked the particular matter is with the investment being made. While submissions on weighting given by the relevant overseas person or individual with control may be considered, the ultimate decision as to the weighting to be given to relevant matters is for the decision-makers.
24. Matters which might be relevant include:

- (a) Credible allegations of offending or contraventions of the law (assessing whether the allegation is sufficiently linked to an individual with control or relevant overseas person);
 - (b) Investigations, prosecutions or other enforcement action by regulatory or professional bodies;
 - (c) Track record in New Zealand.
25. Matters which are unlikely to be relevant include:
- (a) Adverse information that does not relate to an individual with control (for example, offences or contraventions by a relevant overseas person which occurred before the particular individual became involved with the relevant overseas person);
 - (b) Where the decision maker is satisfied that allegations about a relevant overseas person or individual with control have been fully investigated by the relevant regulatory or other authority and the person or individual has been cleared of any wrongdoing;
 - (c) Adverse information that does not impact on the character of a relevant overseas person or individual with control.
26. Briefly, some of the things we consider when weighing up "good character" include:
- (a) connection to the Individuals with Control (IWCs) or Relevant Overseas Person (ROP): we assess the level of control between any of the IWCs of the ROP and the particular matter. For example, a breach of safety rules by an employee of subsidiary company where the company was fined would likely have a low (or no) connection with an IWC who was an executive director of the parent company, whereas an executive decision by a company to illegally collude with a competitor would likely have a high connection with that IWC.
 - (b) relevance to this investment: we assess how relevant the particular matter is to the nature of this particular investment. For example, a dangerous driving conviction by an IWC would have low relevance in connection with the acquisition of a dairy farm, whereas a conviction for discharging farm effluent into a waterway would have a high relevance to the acquisition of a dairy farm.
 - (c) what actions, if any, were taken to remedy the situation and reduce the chances of it reoccurring.
27. The onus is on the applicants to satisfy the decision maker that all the individuals with control are of good character.
28. If the decision maker has doubts about the character of an individual with control which result in it not being satisfied that the test for good character has been met, then the application for consent must be declined.

ATTACHMENT 3 - OTHER BENEFIT FACTORS

1. The table below lists other factors in the Act and regulations for assessing the benefit of overseas investments.
2. We considered that the factors below were either not relevant to the Investment, or the benefit to New Zealand was not likely or sufficient to be relied on for purposes of our assessment.

Factor	Reason not relevant or insufficient
New technology or business skills – s17(2)(a)(ii) (high relative importance factor)	The Applicant submits, and we accept, that this factor is not relevant .
Increased processing of primary products – s17(2)(a)(vi) (high relative importance factor)	This factor is not relevant . The Investment does not involve processing primary products.
Indigenous vegetation/fauna – s17(2)(b)	The Applicant submits, and we accept, that this factor is not relevant . The Department of Conservation has not identified any areas of significant flora and fauna values on the Land.
Trout, salmon, wildlife and game – s17(2)(c)	The Applicant submits, and we accept, that this factor is not relevant . The Department of Conservation has indicated that there are no trout, salmon, wildlife or game on the Land.
Historic heritage – 17(2)(d)	The Applicant submits, and we accept, that this factor is not relevant . The Department of Conservation has indicated there is no historic heritage on the Land.
Walking access – s17(2)(e)	The Applicant submits, and we accept, that this factor is not relevant . The Department of Conservation and the Walking Access Commission have identified no walking access opportunities on the Land.
Offer to sell seabed/foreshore/riverbed to the Crown – s17(2)(f)	The Applicant submits, and we accept, that this factor is not relevant . There is no special land on the Land.
Consequential benefits – reg 28(a)	This factor is not met . The consequential benefits submitted by the Applicant are either covered by other benefit factors or not relevant.
Key person in a key industry – reg 28(b)	The Applicant submits, and we accept, that this factor is not relevant .
Affect image, trade or international relations – reg 28(c)	The Applicant submits, and we accept, that this factor is not relevant .
Owner to undertake other significant investment – reg 28(d)	The Applicant submits, and we accept, that this factor is not relevant .
Enhance the viability of other investments – r28(g)	The Applicant submits, and we accept, that this factor is not relevant .
Strategically important infrastructure – reg 28(h)	The Applicant submits, and we accept, that this factor is not relevant .
Economic interests – reg 28(i)	This factor is not met . The Investment will not have a material effect on New Zealand's economic interests.
Oversight and participation by New Zealanders – reg 28(j) (high relative importance factor)	This factor is not met . The Investment will result in the Land being 100% owned by overseas persons.

ATTACHMENT 4 - SENSITIVE LAND DETAILS

1. 1544 Kakaramea Road, Temple View, Hamilton

Land Interest	An indirect 35% freehold interest in approximately 119.425 hectares at 1,544 Kakaramea Road, Temple View, Hamilton being land comprised of the following computer freehold registers 40036, 40037, 234018 A leasehold interest over the same land for 12 years
Record(s) of Title	CT 234018, CT 40037, CT 40036 (South Auckland)
Sensitivity	Is more than 5 hectares of non-urban land Includes residential land

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ATTACHMENT 5 - GOOD CHARACTER SEARCHES AND ANALYSIS

The OIO undertook an open-source search of the relevant overseas persons (ROPs) and individuals with control (IWCs).

The searches of the International Consortium of Investigative Journalists (ICIJ) database, United Nations Security Council (UNSC) Terrorist Entities List, and Interpol Red Notice List did not produce any relevant results.

Our internet searches turned up some results for individuals that are not the IWC but happen to have the same name. This often occurs, particularly where an individual has a common name. As the information is not relevant to the individual whose character is being assessed, we have not included these results in the table below.

Two of the things we consider when weighing up 'good character' include:

- **connection to the Individuals with Control (IWCs) or Relevant Overseas Person (ROP):** we assess the level of control between any of the IWCs of the ROP and the particular matter. For example, a breach of safety rules by an employee of subsidiary company where the company was fined would likely have a low (or no) connection with an IWC who was an executive director of the parent company, whereas an executive decision by a company to illegally collude with a competitor would likely have a high connection with that IWC.
- **relevance to this investment:** we assess how relevant the particular matter is to the nature of this particular investment. For example, a dangerous driving conviction by an IWC would have low relevance in connection with the acquisition of a dairy farm, whereas a conviction for discharging farm effluent into a waterway would have a high relevance to the acquisition of a dairy farm.

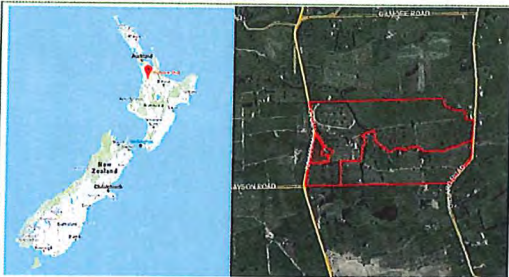
When making our assessment of character we also look at:

- How reliable is the allegation? For example a conviction would be a highly reliable, whereas a report in a tabloid newspaper or an internet forum would be less reliable.
- Is the explanation provided by the Applicant persuasive? Is it internally consistent and does it adequately address the concerns?
- Is there a pattern of similar allegations or offences? Do common themes emerge?
- How serious is the allegation? What actions, if any, were taken to remedy the situation and reduce the chances of it reoccurring?

The table below summarises the various allegations. For full details of the allegations, responses and our assessment, please refer to the pages following the table.

Matter	Summary of disclosure or search finding	Connection to IWC/ROP			Relevance to this investment			Summary of Applicant response	OIO assessment	
		Low	Med	High	Low	Med	High			
1. Allegations of animal rights issues	There are claims on an online forum the Applicant's Parent keeps horses in Inner Mongolia in poor conditions							Allegations are baseless, and the Applicant supplied evidence that the animals are taken care of		There is no evidence to suggest that there is any substance to the allegations on the online forum. The Applicant has provided evidence the animals are taken care of.
2. Political donation	The Applicant donated \$150,000 to the New Zealand National Party							Donation was made by the Applicant as the National Party has regularly sought to strengthen the trade relationship between NZ and China		There is no evidence to suggest the Applicant committed any wrongdoing in making the donation. Therefore, we do consider this detrimentally affects the good character of the IWC.
3. Wrongdoing by a former employee	Reports claiming a former employee artificially increased horse prices during his time working for the Applicant's Parent							The former employee marked up invoices addressed to the Applicant from a company the former employee set up. The matter has been resolved, the employee accepted their wrongdoing and no longer works for the Applicant		We consider this matter does not detrimentally affect the good character of the IWC. We note that the Applicant's Parent identified the issue and took steps to rectify it when it came to its attention.

ATTACHMENT 6 - OVERVIEW TABLES FOR INNER MONGOLIA RIDER HORSE INDUSTRY (NZ) LIMITED 201900304

	<p>Application</p> <ul style="list-style-type: none"> Inner Mongolia Rider Horse Industry (NZ) Limited (the Applicant) seeks consent to acquire: <ul style="list-style-type: none"> an up to 35% ownership interest in Bauhinia Farm Limited (BFL) that owns 119,425 hectares of non-urban land at 1,544 Kakaramea (Highview Stud) a 12-year leasehold interest (consisting of a 3-year initial term and 3 rights of renewal for 3 years) in Highview Stud The Applicant's main business activities are breeding, exporting and racing horses in New Zealand and China. It has been in business in New Zealand since 2012. It has exported approximately 1,700 horses to China since 2012, and currently has 240 horses across Highview Stud and Willow Glen Stud in Waimate. The vendor of the shares in BFL is CHG Investments Limited (CHG), an investment company owned by New Zealanders and Australians. The Majority Shareholder of BFL is Nicola Chu Ming Nga on behalf of Peter Yip (the Majority Shareholder), a Chinese individual who has a 65% ownership interest in BFL. The Applicant intends to use Highview Stud to extend its operations in New Zealand. The Applicant has requested a decision by 20 December 2019, otherwise its Share Purchase Agreement with the Vendor may be cancelled. As at 25 November 2019, the Application was at QA for 9 days, with the OIO for 40 days, with the Application for 20 days; and third-parties for consultation for 24 days. 	<p>Provisional recommendation</p> <ul style="list-style-type: none"> Our provisional recommendation is to grant consent Relevant tests for this transaction: <ul style="list-style-type: none"> Investor test Benefits test – substantial and identifiable benefits.
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Overview of assessment: Investor test

Element of investor test	OIO assessment of strengths and weaknesses		Cross-references
	Risk Barometer	Summary	
Relevant overseas persons (ROP) and individuals with control (IWC) confirmed	ROP/IWC identified	ROP and IWC identified.	Paras 12 - 18
Collectively have business experience and acumen relevant to the investment	Test met	The IWCs have experience directly relevant to the investment.	Section 15 of the Act Paras 19 - 20
ROP demonstrated financial commitment	Test met	The Applicant has demonstrated financial commitment by paying the filing fee and engaging professional advisors.	Section 16(2)(a) of the Act Section 16(2)(b) of the Act
Good character	Limited concerns	We are satisfied the IWC are of good character. However, we note a political donation by the Applicant received some adverse media attention.	Paras 21 - 25 and Attachment 5 Section 16(2)(c) of the Act
Not an individual of the kind ineligible for a visa or entry permission under ss 15 or 16 of the Immigration Act 2009	Test met	Statutory declarations provided confirming that each individual is not of the kind referred to in ss 15 or 16 of the Immigration Act.	Section 16(2)(d) of the Act

Information on this page redacted under s9(2)(b)(ii) unless otherwise noted.

Overview of assessment: Investment and benefit test

Relevant benefit factors	Applicant's claims: what they intend to do	Without the Investment (Counterfactual)	OIO analysis: strength/weakness		Proposed special conditions and reporting requirements	Cross refs
			Indicative strength	Summary		
New Job opportunities (high relative importance)	It will create 9 FTE and 3 casual jobs.	Unlikely to have additional staff employed at the Stud.	Strong	Additional staff are likely to be employed at Highview Stud to bred and train the additional horses.	Create 7 new FTE jobs Continue to employ the equivalent of 18 FTE at Highview Stud.	Paras 60 - 64
Additional Investment	It will invest ██████ in Highview Stud's facilities and equipment, and ██████ on new breeding horses.	Unlikely to be additional Investment in Highview Stud's facilities and equipment or new breeding horses.	Moderate	Additional capital is likely to be introduced into New Zealand for development purposes.	Introduce and spend ██████ on new breeding horses and ██████ of capital expenditure in Highview Stud.	Paras 65 - 69
Increased export receipts (high relative importance)	It will export an additional ██████ horses on average per year to China.	Unlikely to be additional horses exported.	Moderate	Additional horses are likely to be bred and exported overseas creating greater export receipts.	Export a minimum of ██████ horses per year from 2022 Export a minimum of ██████ horses every three years from 2022 Export ██████ horses in total by 31 March 2025.	Paras 70 - 74
Greater efficiency or productivity	It will ██████ Highview Stud's training capacity to ██████ horses at a time.	Unlikely to be additional foals bred at the Stud	Weak	Additional horses are likely to be bred, raised and trained at Highview Stud.	Breed and raise at least ██████ foals per year on the Land every three years from 2022 Breed and raise at least ██████ foals on the Land every three years from 2022.	Paras 75 - 79
Advance significant Government policy	The Government Review of the NZ Racing Industry (the Messara Report) and the bloodstock tax rule changes show a desire for more thoroughbred horse racing, breeding and sales.	Unlikely to be additional horses available for sale domestically.	Weak	Additional race horses bred and available for sale domestically supporting the industry.	Report on the number of horses sold domestically.	Paras 80 - 84
Previous Investments	It has been in business in New Zealand since 2012, employing 5 people, spending ██████ on breeding horses and sponsoring races.	Not applicable.	Weak	The Applicant's previous investments in New Zealand have been of benefit through the employment of staff and the export of horses.	Not applicable.	Para 85

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