



To: Marcus McMillan, Manager Applications

ASSESSMENT REPORT: Alpha Ally Holdings Limited

Date	29 September 2022	Classification	IN CONFIDENCE: Commercially sensitive
OIO reference	202100778	Deadline	As soon as possible

Purpose

We seek your decision on an application for consent to acquire an interest in sensitive land under the Overseas Investment Act 2005 (the Act).

Action sought

1. Review this report.
2. Determine whether to grant consent and, if so, on what conditions.
3. Indicate your decision from page 3.

Assessment timeframe requirements

A decision is required to be communicated to the Applicant by 30 September 2022, being the OIA condition date (extended) in the agreement for sale and purchase. A decision by the assessment timeframe was not possible. This is because after providing the Applicant with an intention to decline letter we allowed an extended period for the Applicant to provide a response and meet with the OIO, and then additional time to receive further submissions with extensive supporting documents.

Key information

Applicant	Alpha Ally Holdings Limited Singapore (100%)
Vendors	Stephen Harold White and Stephan Paul Goodhue as trustees of the S H White Family Trust New Zealand (100%) Vine Del Mar Limited New Zealand (100%)
Land	10.0108 hectares of land located at 80 Onetangi Road. 3.6369 hectares of land located at 54 Onetangi Road.
Consideration	[s 9(2)(b)(ii)]
Sensitivity	Is more than 5 hectares of non-urban land Includes residential land Exceeds 0.4 hectares on Waiheke Island
Relevant tests	Investor test: s18A Benefit to NZ test s16(1)(a), s16A(1) – residential land outcome; farm land benefit test s16A(1C); Farm land offer test: s16(1)(f)

A. Decision

Core tests

4. I determine that:

4.1 The 'relevant overseas person' is (collectively):

Relevant overseas person	Role
[s 9(2)(a)]	100% owner of Applicant
Alpha Ally Holdings Limited	Applicant
Alpha Ally One Limited	100% subsidiary of Applicant, acquiring entity of Land
SV (2021) Limited	Acquiring entity for Business and residential leasehold land

4.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
[s 9(2)(a)]	Sole director and 100% owner of Applicant, Director of Alpha Ally One Limited
Lin Cheng	[s 9(2)(a)], Director of SV (2021) Limited
Stephen Harold White	Director of SV (2021) Limited

4.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

5. I am satisfied that the investor test in section 18A has been met.

6. I am satisfied, in relation to the benefit to New Zealand test, that:

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

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

6.3 the benefit is proportionate to the sensitivity of the land and the nature of the transaction;

6.4 the benefit will be, or is likely to be, substantial in relation to one or more of the factors of high relative importance for farm land; and

6.5 the conditions relating to residential land to be imposed on the consent in accordance with section 16B will be, or are likely to be, met.

National interest assessment

7. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Decision about whether to grant or decline consent

8. My ultimate decision is to grant consent subject to the conditions in the Proposed Decision in **Attachment 1** / decline consent.



Marcus McMillan

Manager, Applications (Overseas Investment Office)

Date: 30/09/2022

B. Background and proposed transaction

1. Alpha Ally Holdings Limited (the **Applicant**) is a British Virgin Islands incorporated company incorporated in 2012 as a personal holding company for [s 9(2)(a)] and is wholly owned and controlled by him.

Investment background

2. The Applicant intends to acquire the land and business known as Stonyridge Vineyard (the **Business**), situated on Waiheke Island, Auckland. This includes:
 - a freehold and leasehold interest in approximately 10.0108 hectares of land at 80 Onetangi Road, Waiheke Island; and
 - A leasehold interest in approximately 3.6369 hectares of land located at 54 Onetangi Road, Waiheke Island (being residential land as defined by the Act).¹(together, the **Land**)
3. Stonyridge Vineyard was established by Stephen White in 1983. Wine is produced on-site from grapes harvested from the land at 80 Onetangi Road and two other leased vineyards on Waiheke Island. The estate labels are Larose, Airfield, Pilgrim and Luna Negra. Stonyridge's most well-known label is Larose, a Bordeaux-styled red wine that commands a premium price. Most of the vineyard's sales are on the domestic market.
4. This is [s 9(2)(a)] first investment in New Zealand, [s 9(2)(b)(ii)]

Land

80 Onetangi Road

5. 80 Onetangi Road has approx. 5 hectares planted in vines, being Cabernet Sauvignon (45.6%), Merlot (17.6%), Petite Verdot (14.6%), Syrah (7.7%) and Cabernet Franc (7.5%). This property also includes a 50 tonne capacity winery and restaurant complex, offices and staff facilities, decking and utility sheds, roads, carparking and gardens.

54 Onetangi Road

6. The vineyard at 54 Onetangi Road has 1.8 hectares planted in Chardonnay and Malbec varieties (and has many areas that have a steep gradient).
7. 54 Onetangi Road does not include a residence, although is categorised as "lifestyle" under the District Valuation Roll and so is residential land under the Act. The proposed

¹ The lease has a five year term terminating on 21 September 2026 with a right of renewal for a further five years.

² Consent was granted to Alpha Ally Three Limited, 100% owned by [s 9(2)] on 19 September 2022 (case 202200317).

assignment of this lease to the Applicant requires consent under the Act because it relates to residential land and is for a term of more than three years.³

8. Images 1 and 2 below show respectively the Land at 80 Onetangi Road and 54 Onetangi Road, outlined blue, being extracts from the Sensitive Land Certificate provided by the Applicant.

Image 1 – Land at 80 Onetangi Road, Waiheke Island (approx. 10.0108 hectares).

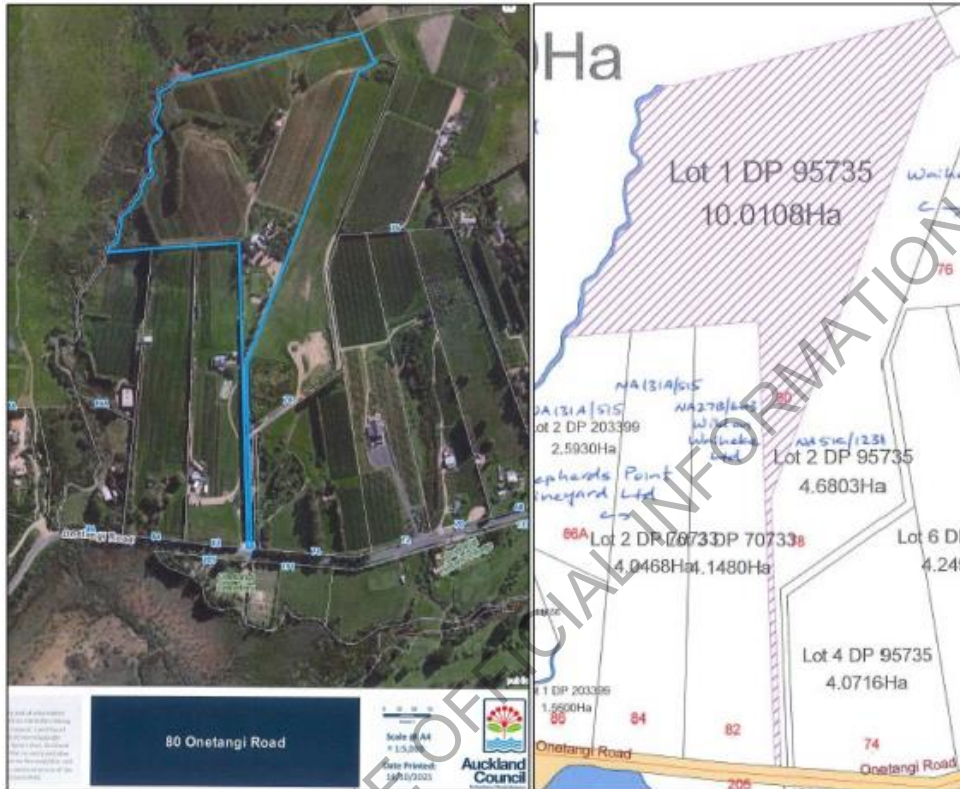


Image 2 – Land at 54 Onetangi Road, Waiheke Island (approx. 3.6369 hectares).



9. For completeness, Stonyridge Vineyard also leases 3.16 hectares of land at 211 Te Whau Drive, which is classified as “horticulture” under the District Valuation Roll. The lease terminates on 30 June 2025 and can only be extended by agreement. As this lease is of sensitive (but not residential) land and is for less than ten years, this assignment does not require consent under the Act.⁴
10. The Land does not contain or adjoin any fresh or seawater areas.
11. Additionally, an image from Google Maps showing the location of Stonyridge Vineyard on Waiheke Island can be found in **Attachment 4**.

C. Application of the Act

12. The Land is sensitive because it is non-urban land over 5 ha in size, because it is greater than 0.4 ha on Waiheke Island,⁵ and because it includes a leasehold interest in residential land, so consent is required.⁶ The following criteria for an investment in sensitive land apply to this application:⁷
 - The investor test must be met.⁸
 - The benefit to New Zealand test must be met.⁹
 - Where the land is farm land it must have been offered for sale on the open market¹⁰, unless exempt.¹¹
 - You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the investment is contrary to New Zealand’s national interest.¹²
13. In order to satisfy the benefit to New Zealand test, the decision-maker must:
 - determine that the overseas investment will, or is likely to, benefit NZ;¹³ and
 - determine that benefit will be, or is likely to be, substantial in relation to one or more of the factors of high relative importance for farm land¹⁴ (unless the farm land benefit test is disapplied¹⁵); and
 - because the Land is residential:
 - determine a residential land outcome;¹⁶
 - apply conditions of consent for the residential land outcome; and
 - be satisfied that those conditions are likely to be met.¹⁷
14. We assess the investor test in Part D, the benefit to New Zealand test in Part E, and discuss national interest matters in Part F.

³ Section 12(1)(a)(ii)(B) of the Act.

⁴ Section 12(1)(a)(ii)(C) of the Act.

⁵ Table 1, Part 1, Schedule 1 of the Act.

⁶ Under sections 10(1)(a) and 12(a)(i) of the Act.

⁷ Set out in section 16(1) of the Act.

⁸ Section 18A / 16(1)(a) of the Act.

⁹ Section 16(1)(c)(ii).

¹⁰ Section 16(1)(f) of the Act.

¹¹ Section 20(1)(a) or (b) of the Act.

¹² Section 16(1)(g) of the Act.

¹³ Section 16A(1)(a) of the Act.

¹⁴ Section 16A(1C)(b) of the Act. This criterion applies because the Land is farm land over 5 ha in size.

¹⁵ Section 16A(1D) of the Act.

¹⁶ Section 16B(3)(a). The Act specifies a range of outcomes to choose from in clause 19, Schedule 2 of the Act.

¹⁷ Section 16A(1)(c) of the Act.

D. Applicant and investor test

15. This section describes the Applicant and assesses whether the investor test is met.

Business Activities

16. The Applicant, Alpha Ally Holdings Limited, is a Singaporean-owned company incorporated in the British Virgin Islands in 2012.

17. [s 9(2)(a)]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
18. [s 9(2)(a)] [s 9(2)(b)(ii)]
[REDACTED]
[REDACTED]
[REDACTED]

Ownership

19. The Applicant is a personal holding company for [s 9(2)(a)] and is 100% owned and controlled by him.
20. The Applicant will acquire the freehold interest in 80 Onetangi Road through its subsidiary, Alpha Ally One Limited, which is 100% owned by the Applicant. [s 9(2)(a)] will therefore be the 100% beneficial owner of 80 Onetangi Road.
21. [s 9(2)(a)] will be the 80% beneficial owner of the Business (including the leasehold interest in 54 Onetangi Road). This will be obtained through another 100% owned subsidiary of the Applicant, Alpha Ally Two Limited, taking initially a 100% shareholding in SV (2021) Limited, which will purchase the Business.
22. Immediately after settlement the Vendor, Stephen White, will acquire a 20% interest in SV (2021) Limited.¹⁸ [s 9(2)(a)] will therefore ultimately have an 80% beneficial ownership interest in the Business and the leasehold interest of 54 Onetangi Road.
23. A diagram of the intended ownership structure is in **Attachment 2**.

Control

- [s 9(2)(a)]
24. [s 9(2)(a)] is the sole director of the Applicant, and also the sole director of Alpha Ally One Limited.
25. The decision to acquire the freehold land at 80 Onetangi Road and the Business (including the leasehold interest) was made solely by [s 9(2)(a)]. He would also be able to approve significant capital and operating expenditure and could ultimately decide whether to divest this investment.
26. The lease for 54 Onetangi Road will be assigned to SV (2021) Limited. The directors of SV (2021) Limited are [s 9(2)(a)], Lin Cheng [s 9(2)(a)] and Mr White.

¹⁸ Stephen White will acquire a 20% interest in SV (2021) Limited via White Abundance Trustee Limited on behalf of the S H White Abundance Trust.

Mr White

27. Mr White (the New Zealand vendor) is retaining a 20% interest in the Business and will be playing an active role in the Business. Mr White will be expanding his role by acting as Stonyridge's Brand Ambassador to assist in the global brand development of Stonyridge and Larose labels. This is an ongoing role as set out in a Brand Ambassador Agreement.
28. Mr White's previous duties as the day to day manager of Stonyridge Vineyard will be taken over by the existing local General Manager, Benedict Bouillom, who will be supervised by Mr White.
29. A Shareholder's Agreement has been entered into between the parties concerning the Business to be acquired by SV (2021) Limited.¹⁹ The Shareholders' Agreement secures Mr White the right to appoint a director (intended to be himself) and the right to be consulted in good faith on important matters relating to the management of the Business.

Relevant overseas person and individuals with control

30. We therefore recommend that the 'relevant overseas person' is (collectively):

Relevant overseas person	Role
[s 9(2)(a)]	100% owner of Applicant
Alpha Ally Holdings Limited	Applicant
Alpha Ally One Limited	100% subsidiary of Applicant, acquiring entity of Land
SV (2021) Limited	Acquiring entity for Business and residential leasehold land

31. We recommend that the 'individuals with control of the relevant overseas person' (IWC)²⁰ are:

Individuals with control	Role
[s 9(2)(a)]	Sole Director and 100% owner of Applicant, Director of Alpha Ally One Limited
Lin Cheng	[s 9(2)(a)], Director of SV (2021) Limited
Stephen Harold White	Director of SV (2021) Limited

Summary of investor test

32. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act. One of the individuals with control (Stephen White) is a New Zealand citizen so he is not required to meet the investor test in accordance with s18(2) of the Act.
33. For the reasons set out above our conclusion is that **the investor test has been met.**

¹⁹ Under the Shareholders' Agreement the Applicant will incorporate a company (S.V. (2021) Limited) to carry on the business of Stonyridge Vineyard Limited that is being purchased and Stephen White will be 20% of the shares of that company. SV (2021) Limited is now incorporated.

²⁰ Section 15.

E. Investment plan and benefit to NZ test

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

Investment plan

Background

35. [s 9(2)(a)] intends to hold the Land as a long-term investment and add value to the business. He will be focused on driving the export sales to help make his business investment in New Zealand a success. He will be supported in this by Mr White, who will be appointed as Brand Ambassador for Larose, and will drive the marketing of ultra-premium wine.
36. The Applicant prepared a business plan (the **Business Plan**) identifying opportunities to grow the Business, including capital investment, marketing strategies, and a focus on opening up exports into the Southeast Asian market.

New Larose VIP Club House and Barrel Cellar

37. The Applicant will invest in generating higher production and developing facilities to sell ultra-premium wines to new and existing customers.
38. The Applicant will introduce [s 9(2)(b)(ii)] of funds to Stonyridge. Central to these plans will be the construction of a new two-storey building for a barrel cellar with a new 'Larose VIP lounge' above. The new capital will be invested as follows:

Development	Cost (NZD, plus GST)
Larose Club House and Barrel Cellar	[s 9(2)(b)(i)]
Wine Storage Facility	[s 9(2)(b)(ii)]
New wine crusher, elevator and de-stemmer	[s 9(2)(b)(ii)]
Pesticide storage ([s 9(2)(b)(i)] and staff amenities [s 9(2)(b)(ii)]	[s 9(2)(b)(ii)]
Other vineyard equipment – weeder [s 9(2)(b)(ii)] tractor with cab ([s 9(2)(b)(i)] and canopy sprayer [s 9(2)(b)(ii)]	[s 9(2)(b)(ii)]
Total capital	[s 9(2)(b)(i)]

39. The barrel cellar will include an additional temperature-controlled wine storage facility for bottled wine. The barrel cellar and wine storage facilities will improve efficiency, facilitate higher production and achieve higher wine quality that in turn will support a higher price per bottle.
40. The new Larose VIP lounge will be used to host wine tasting events, hosting foreign visitors, and growing membership to Stonyridge's established Larose VIP Club. The Applicant has provided architectural drawings of the proposed building, and these are included at **Attachment 4**.

Other vineyard improvements

41. Investment will also be made into modernising vineyard equipment, as shown above. A new crusher and de-stemmer and elevator will provide better juice yield and gentler handling of the fruit for better wine quality.

42. The Applicant estimates that the barrel cellar, temperature-controlled storage and modernisation of other equipment will enable a further 10 tonnes of grapes to be processed on site, representing an uplift of approx. 25% over current production of around 32-40 tonnes per year.

New jobs

43. With the addition of new vineyard facilities and a new focus on international markets, the Applicant plans to create at least 4 FTE additional permanent positions. This includes the positions of Vineyard Manager, National and International Marketing Manager, Larose Club Manager, and Gardener.

Increased export receipts

44. The Applicant proposes to increase Stonyridge’s export revenue from [s 9(2)(b)(i)] per annum currently to approximately [s 9(2)(b)(ii)] per annum by [s 9(2)(b)(ii)].
45. With Stonyridge’s ‘ultra-premium’ Larose wine, increased export receipts will be achieved through:
- increasing the number of cases by [s 9(2)(b)(ii)]; and
 - increasing the export price from [s 9(2)(b)(ii)] per bottle.
46. The remaining estate and ‘non-estate’ produced wines sold under the Stonyridge label (Luna Negra and Fallen Angel ranges) will be sold over e-commerce trading sites to be exported to consumers in Singapore and other Southeast Asian countries.
47. The Business Plan identifies that wine is steadily growing into the mainstream food and beverage culture in Southeast Asia, and New Zealand is a well-regarded producer. The Applicant submits that through [s 9(2)(a)] and the efforts of Mr White (discussed further below) it is well positioned to provide a distribution channel to the market through the growing adoption of direct to customer online orders.
48. The projected increased export receipts described above are illustrated in a table in the Business Plan, reproduced below.

Findex NZ Ltd Business Plan – projected export receipts

Projected Export Receipt							
Larose		3 YR AVG *	2023	2024	2025	2026	2027
	Volume (cases)	[s 9(2)(b)(ii)]					
	Export receipts	[s 9(2)(b)(ii)]					
	Average price per bottle exported	[s 9(2)(b)(ii)]					
Stonyridge Wines							
	Volume (cases)	[s 9(2)(b)(ii)]					
	Export receipts	[s 9(2)(b)(ii)]					
	Average price per bottle exported	[s 9(2)(b)(ii)]					
Total Export Receipts		[s 9(2)(b)(ii)]					

* 3 YR AVG: The sales data for the 3 years ended March 2019, 2020 and 2021 has been analysed extracting the sales data. The sales data has been averaged over the 3 years to take into account the effects of the pandemic.

Continued Vendor involvement

49. Stonyridge Vineyard was established by Stephen White in 1983 from bare land, and he has developed the vineyard and business over the years. Mr White, now 64 years old, is seeking to take a more strategic role. He will remain as a 20% shareholder in the Business and will focus on increasing export receipts through his new Brand Ambassador role. That role will include developing the Singapore market and mentoring the manager and the Winemaker. The Applicant submits that Mr White's expertise and experience, combined with the marketing strategies set out in the Business Plan, will lead to increased exports.

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

50. [s 9(2)(b)(ii)]

51. [s 9(2)(b)(ii)]

The Applicant's response

52. The applicant engaged an expert, David Jordan.²¹ In Mr Jordan's opinion the combined investment in upgraded and modern vineyard and winery equipment proposed are capable of improving by at least 8 tonnes the long-term average production from Stonyridge. In Mr Jordan's view there are several factors compromising the underlying performance of the Stonyridge vines, including that the equipment for both disease and weed control are old and inadequate.

53. The Applicant submits that [s 9(2)(a)] will be focused on driving the export sales, and the [s 9(2)(b)(ii)] is well established and suited to the Stonyridge and Fallen Angel label ranges.

54. To address the OIO's comment regarding lack of a wine specific distribution channel, the Applicant has submitted the following:
- While the bulk of export wine is traded via established wine distribution networks (with importers, wholesalers, and retailers / merchants), this has not been the case for Stonyridge, particularly for its high-end Larose label. Most sales of Larose are "En Primeur" (while wine is in the barrel) to members of the Larose Club. The Applicant is proposing to expand this proven sales channel to a new market in Southeast Asia [s 9(2)(a)] well established network, and with visits from Mr White as Brand Ambassador.
 - Recruiting only 200-250 additional members is required to achieve the projected increase in export sales from Larose. Findex NZ Ltd confirm that this is an achievable growth forecast.²²
 - [s 9(2)(a)] [s 9(2)(b)(iii)]

²¹ David Jordan describes himself as an independent viticultural consultant with 39 years of experience and one of Australasia's leading viticulturalists.

²² Letter dated 17 June 2022 from Alistair King (Partner) Findex NZ Ltd

²³ Le Club FICOFI serves 300 members, with membership by invitation only, and carries only prestigious wine brands.

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

55. The Applicant has provided submissions in response to the OIO's claim that it was difficult to corroborate whether an increase of [s 9(2)(b)(ii)] per bottle would be achievable.
56. The Larose wine has scored consistently high review points over the last decade, notably being awarded the maximum 100 points by influential wine writer James Suckling. The Applicant explains that the 2019 vintage Larose is currently listed for sale at \$375 per bottle.
57. The Applicant submits that even after raising the price of Larose gradually to [s 9(2)(b)(ii)] this will still be very competitively priced against other premium Bordeaux style wines.
58. We consider that these submissions adequately address our concerns.

Current state (counterfactual)

59. Stonyridge's business has plateaued in recent years due to the current owner's capital constraints. The vines at 80 Onetangi are well managed, however, some of the vineyard equipment and winery assets and buildings are in average condition. The current owner has no plans to increase employment, and no plans to replace any vineyard equipment while it remains operational.
60. Currently, wine is stored in containers under a carport area with no temperature control. The existing wine crusher is very old (1994) and not efficient with lower juice yield and reduced wine quality.
61. Stonyridge does not have any dedicated wine tasting area, and wine tasting is conducted in a small cellar door in the existing restaurant area.
62. The Vendor's export sales of Larose and Fallen Angel range remains small at 30% on average over the last three years. Mr White does not have sufficient time to promote the brand and exports as he is currently involved with the governance and day to day operations of the vineyard.

Farm land benefit test

63. This investment involves the acquisition of farm land exceeding 5 hectares in area. As a result, the farm land benefit test applies unless you decide it need not be met for one of the reasons set out in the Act.²⁴
64. Accordingly, as required by the Act, we have treated the following factors as having high relative importance.²⁵
- the economic benefits factor (section 17(1)(a)) and, in particular, the creation or retention of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products; and
 - the oversight or participation factor (section 17(1)(f)).
65. For the farm land benefit test to be met, the Applicant must demonstrate, in relation to one or more of those factors of high relative importance, that the benefits of the investment are of a size or nature that represent a substantial benefit to New Zealand.

²⁴ Section 16A(1C)–(1D). You may decide not to apply the farm land benefit test if: the transaction is minor or technical; the transaction does not materially change the level of ownership or control that the relevant overseas person has over the asset; or the farm land has no or limited productive capacity as farm land and will, or is likely to, be used promptly, as a result of the overseas investment, for industrial or commercial development (for example, a supermarket) or for the construction of 1 or more buildings that, taken together, will consist of 20 or more new residential dwellings.

²⁵ Section 16A(1C)(a).

Summary of benefits

66. The benefits to New Zealand that are likely to result from this investment and our assessment of the relative weight to be given to each are set out in the table below.
67. Factors that we considered were either not relevant to the investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 3**.
68. In applying the benefit to New Zealand criteria, you are required to consider each of the benefit factors, decide which of them are relevant and determine the relative importance of those relevant factors. The weight and relative importance to be given to each factor is a matter to be determined by you as the decision-maker (except where the farm land benefit test requires a factor to be given high relative importance). This report sets out our assessment to guide your consideration, however it is not determinative.
69. Consultation undertaken in our assessment is discussed following the table.

Summary assessment: benefit to NZ test

70. The below table assesses the benefits to NZ likely to result from the investment and the relative weight to be given to each.

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Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
<p>Economic benefits (High relative importance factor)</p>	<p>New Jobs 4 FTE permanent jobs by 2025. Two new positions will be required to service the proposed new club house and increase sales and marketing, one new position for a Vineyard Manager, and one new position will be required for an experienced gardener.</p> <p>2.8 new temporary FTE jobs associated with the construction of the Club House and Barrel Hall.</p> <p>The Applicant will retain all 14 FTE positions and fixed-term positions (approx. 8.4 FTE equivalent) and part time staff (approx. 0.8 FTE) associated with the café and seasonal work in the vineyards.</p>	<p>New Jobs No plans to increase employment at Stonyridge.</p>		<p>New Jobs The Applicant commits to the 4 new FTE jobs being created within a year after the acquisition.</p>	<p>We propose a special condition requiring the Applicant to create a new permanent FTE job for a vineyard manager.</p>

	<p>Capital investment The Applicant will invest approx [s 9(2)(b)(ii)] into a new Club House, Barrel Cellar and vineyard equipment. This will include:</p> <ul style="list-style-type: none"> • [s 9(2)(b)(ii)] into Larose Club House and Barrel Cellar [s 9(2)(b)(ii)] • [s 9(2)(b)(ii)] on wine storage facility [s 9(2)(b)(ii)] • New wine crusher, elevator and de-stemmer [s 9(2)(b)(ii)] pesticide storage [s 9(2)(b)(ii)] staff amenities [s 9(2)(b)(ii)] weeder [s 9(2)(b)(ii)] tractor with cab [s 9(2)(b)(ii)] and canopy sprayer [s 9(2)(b)(ii)] 	<p>Capital investment The Vendor has no plans, and insufficient financial means, to construct the new Larose Club House, new Barrel Cellar, and similarly any investment into more modern and efficient vineyard equipment is unlikely to occur.</p>	<p>Strong</p>	<p>Capital investment The Applicant's proposed development is likely to result in more capital investment than under the current state counterfactual.</p> <p>The Vendor is not in a financial position to make any of these developments without the Applicant's investment.</p>	<p>We propose a special condition requiring the Applicant to:</p> <p>(a) commence construction of the Larose Club House and Barrel Cellar by [s 9(2)(b)(ii)]</p> <p>(b) complete construction of the Larose Club House and Barrel Cellar by [s 9(2)(b)(ii)] and</p> <p>(c) operate the Larose Club House and Barrel Cellar at all times.</p> <p>We propose a further special condition requiring expenditure of at least [s 9(2)(b)(ii)] million to be spent on:</p> <p>(a) at least [s 9(2)(b)(ii)] million on the Larose Club; House and Barrel Cellar</p> <p>(b) at least [s 9(2)(b)(ii)] million on developing a new wine storage facility; and</p> <p>(c) at least [s 9(2)(b)(ii)] million on purchasing other vineyard equipment.</p>
	<p>Increased productivity A further 10 tonnes of grapes to be processed</p>	<p>Increased productivity</p>		<p>Increased productivity An increase in yield of between 7.4 to 9.7 tonnes</p>	<p>No specific condition proposed as increased productivity will result</p>

Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
	<p>on site being at least a 25% uplift over current production of 32-40 tonnes pa.</p> <p>This is to be achieved through more modern and efficient vineyard equipment, installation of a new crusher, de-stemmer and higher quality storage of wine.</p>	<p>32-40 tonnes pa.</p> <p>The infrastructure and equipment are aging and in need of upgrading and replacement.</p>		<p>(close to a 25% increase) from investment in new machinery and storage is likely to occur.</p> <p>Reports from two independent experts verify that the increase in yield claim is reliable.</p>	<p>from capital expenditure, which is conditioned.</p>

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Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
	<p>Continued Vendor involvement Vendor, Stephen White, will remain (as 20% co-owner of SV (2021) Limited). Applicant's Business Plan includes retaining Stephen White as Brand Ambassador for his wealth of experience and networking skills.</p>	<p>Continued Vendor involvement Mr White's current duties prevent him travelling to promote the brand.</p>		<p>Continued Vendor involvement As Mr White will be freed up from his day to day management responsibilities he will have availability to proactively promote the Stonyridge brand, utilising the network of business contacts of [s 9(2)(a)]</p>	

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Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
<p>Advance a significant Government policy</p>	<p>The Applicant claims the investment will advance the Trade Recovery Strategy - Trade Recovery Strategy 2.0 (mfat.govt.nz)</p> <p>The Prime Minister and Minister for Trade and Export Growth travelled to Singapore (our fifth largest trading partner) in April 2022 as the first trade mission as part of the wider plan to reconnect New Zealand with the World following the Covid-19 pandemic. The purpose was to grow connections with partners and customers in significant SE Asian market. Singapore is the main market to where Stonyridge wines will be exported.</p>	<p>The current land use already supports this policy to a limited extent.</p>	<p>Weak</p>	<p>The Applicant's Business Plan proposes to increase the cases exported from [s 9(2)(b)(ii)]</p> <p>This investment is therefore likely to advance this policy more than under the current state.</p> <p>This is a low level of support to the government policy resulting in a weak weighting.</p>	

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Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
Environmental benefits	<p>Plan to plant out the western and northern boundary of 80 Onetangi Road with native plants estimated to cost [s 9(2)(b)(ii)]</p> <p>The plan is to plant native species indigenous to Waiheke Island to resemble how it would have looked in pre-European times (in consultation with mana whenua).</p>	Native planting has not been carried out.	Weak	<p>This is a modest amount of planting in terms of the cost and area to be planted.</p> <p>The planting is contingent on receiving advice from mana whenua, and the estate grounds person will need to be employed.</p>	

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79. We also recommend a special condition requiring the Applicant to commence construction of the Larose Club House and barrel cellar by [s 9(2)(b)(ii)] and complete construction by [s 9(2)(b)(ii)].
80. Further, we recommend a special condition requiring the Applicant to create a new job for a Vineyard Manager by 1 November 2023.
81. The investment of these new funds is likely to lead to the development of the vineyard, creation of jobs and contribute towards an increase of production and quality of wine and increased export receipts. See special conditions 1, 2, and 3 in the proposed consent conditions at **Attachment 1**.

Residential land outcome

82. Because the relevant land includes residential land, being the leasehold interest at 54 Onetangi Road, a residential land outcome must be applied to the extent that the consent relates to residential land.²⁶
83. The most appropriate residential land outcome to require is 'use for non-residential purposes',²⁷ for which a condition must be imposed to require that the residential land is not used nor held for future use for residential purposes. Special condition 4 in the proposed consent conditions at **Attachment 1** satisfies this residential land outcome by requiring the Applicant not to use or hold its interest in 54 Onetangi Road for any residential purpose.

Conclusion – benefit to NZ test

Key benefits

84. After considering the application, we are satisfied that the investment is likely to result in the benefits considered above. In particular, the investment is likely to provide the following economic benefits to New Zealand:
- **New jobs** – new additional FTE jobs including positions to service the new Larose Club House; increase sales and marketing, a gardener, and a new Vineyard Manager;
 - **Capital investment** – approximately [s 9(2)(b)(ii)] of capital investment for the Larose Club House and barrel cellar, and modernising vineyard equipment;
 - **Increased productivity** – a further 7.4 to 9.7 tonnes in yield, representing an increase in close to 25% from investment in new equipment and storage; and
 - **Increased export receipts** – increased export receipts resulting from freeing up Mr White to undertake the 'brand ambassador role', a combination of increased bottle price, [s 9(2)(a)] access to sales channels and membership of [s 9(2)(b)(a)] and an aggressive export market strategy.

Proportionality

85. We have undertaken our assessment having regard to the sensitivity of the Land and the nature of the overseas investment transaction, reflecting the proportional nature of the benefit to NZ test. In this case the investment consists of approximately 10 hectares of freehold land at 80 Onetangi Road and a leasehold interest in approximately 3.6369 hectares of land, utilised for an existing vineyard on Waiheke Island.
86. The Land is sensitive under the Act because:

²⁶ Section 16B of the Act.

²⁷ Clause 19(2), row 2, Schedule 2 of the Act.

- 80 Onetangi is non-urban land greater than 5 hectares;
 - 54 Onetangi Road is residential land (having a “lifestyle” categorisation under the District Valuation Roll); and
 - the above interests in land exceed 0.4 hectares on Waiheke Island, being a specified island under Part 2, Schedule 1 of the Act.
87. The Land is located inland and away from the coast, does not contain any fresh or seawater areas and does not contain or adjoin any other sensitivities (such as wāhi tapu or reserves). In terms of productive capacity, the area planted in vines at 80 Onetangi Road is approximately 5 hectares, being slightly smaller than the average size (6.88 hectares) for the 20 vineyards on Waiheke Island.²⁸
88. Even though the Land is an existing vineyard, it is proposed that an increase in yield of close to a 25% from investment in new machinery and storage is likely to occur. The Applicant intends to create 4 FTE jobs, [s 9(2)(b)(ii)] to construct the Larose Club House and barrel cellar and other equipment, and grow export receipts from [s 9(2)(b)(ii)]. The Applicant’s claimed benefits are significant when considered with respect to the size and sensitivity of the Land.
89. Taking into account the size and characteristics of the Land and comparing the benefits under the current state compared to the investment, we consider the overseas investment is likely to benefit New Zealand.

Farm land benefit test

90. In addition to the benefit test set out in s16A(1)(a), the Applicant must also satisfy the modified benefits test for farm land.²⁹ This requires that two factors are given high relative importance, namely the economic benefits factor and oversight or participation factor (and in particular the creation of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products). To satisfy this test, one or both of these factors needs to be of a size or nature that represents a substantial benefit to New Zealand (on a proportionate basis).
91. We consider in this case that the level of benefit under the economic factor is substantial, particularly when considering the likely benefit resulting from new jobs, increased capital expenditure, and increased export receipts. In these circumstances we consider these likely benefits are of a size or nature that represent a substantial benefit to New Zealand when taking into account a proportionate approach to the benefits, and that the modified benefit test for farm land is therefore met.

F. Farm land offer test

92. The land is farm land³⁰, and was advertised for sale on the open market with the required information for a period exceeding 20 working days³¹ on the internet (TradeMe, Bayleys.co.nz, and Realestate.co.nz) and in print (the NZ Herald and Bayley’s Total Property).
93. We are, therefore, satisfied the regulations requiring farm land to be offered for acquisition on the open market have been complied with.

²⁸ Waiheke Winegrowers Association’s annual survey for 2021.

²⁹ Section 16A(1C) of the Act.

³⁰ Currently used principally for horticulture purposes, being grape production – see definition of farm land in s. 6 of the Act.

³¹ The farm land advertising rules in force immediately before 24 November 2021 apply because the agreement for sale and purchase was entered into on 22 October 2021.

G. Not a transaction of national interest

94. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.³² This is because the investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
95. We have not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.³³ He has therefore not declined consent to the transaction.
96. We are directed³⁴ that the starting point is the assumption that overseas investment is in New Zealand's national interest and that we should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
- could pose risks to New Zealand's national security or public order
 - would grant an investor significant market power within an industry or result in vertical integration of a supply chain
 - has foreign government or associated involvement that was below the 10 per cent threshold for automatic application of the national interest test, but granted that government (and/or its associates) disproportionate levels of access to or control of sensitive New Zealand assets or
 - would have outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives.
97. We do not consider that this investment engages any of these risk factors.

H. Conclusion

98. After considering the application, our view is that:
- the investor test has been met; and
 - the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
 - the benefit is proportionate to the sensitivity of the land and the nature of the transaction; and
 - the benefit will be, or is likely to be, substantial and identifiable; and
 - the conditions relating to residential land to be imposed on the consent will be, or are likely to be, met; and
 - the transaction is not considered to be a transaction of national interest.
99. Therefore, we consider that the criteria for consent in section 16 have been met and our recommendation is to **grant consent**.
100. If you agree, we refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 3 of this Assessment Report to record your decision.

³² Under s 20A of the Act.

³³ Section 20B of the Act

³⁴ Supplementary Ministerial Directive Letter (8 June 2020).

Andrew Wells



Principal Advisor
Overseas Investment Office

Date: 29/09/2022

I. List of Attachments

1. Proposed Decision
2. Intended ownership structure
3. Other benefit factors
4. Map and architectural drawings

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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	202100778
Consent	The Consent holders may acquire the Land subject to the Conditions set out below.
Consent holder/s	Alpha Ally Holdings Limited (BVI company number 1689144), Alpha Ally One Limited (company number 8280885), and SV (2021) Limited (company number 8472043). We will also refer to each Consent holder and the Consent holders together as you .
Land	1. A freehold interest and leasehold interest in approximately 10.0108 hectares of land located at 80 Onetangi Road, Waiheke Island, Auckland contained in Record of Title NA51C/1230, and 2. A leasehold interest in approximately 3.6369 hectares of land located at 54 Onetangi Road, Waiheke Island, Auckland, contained in Record of Title NA56C/1285 (the Residential Land).
Timeframe	You have until [date] 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**.

Act means the Overseas Investment Act 2005.

FTE means full time equivalent.

Larose Club House and Barrel Cellar means a new building of at least two storeys that will incorporate a Barrel Cellar with new Larose VIP lounge and tasting area above the Barrel Cellar.

Regulations means Overseas Investment Regulations 2005.

Any term or expression that is defined in the Act or Regulations and used, but not defined, in this consent has the same meaning as in the Act or Regulations.

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: Construct the Larose Club House and Barrel Cellar	
<p>You must:</p> <p>a) Commence construction of the Larose Club House and Barrel Cellar;</p> <p>b) Complete construction of the Larose Club House and Barrel Cellar; and</p> <p>c) Operate the Larose Club House and Barrel Cellar.</p> <p>If you do not, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	<p>a) By [s 9(2)(b)(ii)]</p> <p>b) By [s 9(2)(b)(ii)]</p> <p>c) At all times</p>
Special Condition 2: Create a new job for a vineyard manager	
<p>You must create a new permanent FTE job for a vineyard manager with an annual salary of at least \$70,000 to be involved in the Relevant Business carried out on the Land.</p> <p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	<p>By 1 November 2023</p>
Special condition 3: Additional investment for development purposes	
<p>You must introduce into New Zealand at [s 9(2)(b)(ii)], to be spent on:</p>	<p>[s 9(2)(b)(ii)]</p>

Details	Required date
<p>a) at [s 9(2)(b)(ii)] on developing the Larose Club House and Barrel Cellar;</p> <p>b) [s 9(2)(b)(i)] on developing a new wine storage facility; and</p> <p>c) at [s 9(2)(b)(ii)] on purchasing other vineyard equipment (including but not limited to new wine crusher, elevator and de-stemmer, tractor with cab, and canopy sprayer).</p> <p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
Special condition 4: Use the Residential Land for a non-residential purpose	
<p>You must not use or hold your interest in the Residential Land for any residential purposes.</p> <p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Residential Land.</p>	<p>At all times.</p>

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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 Land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Land, and using the acquisition, ownership and control structure you described in your application. <p>Note, only you – the named Consent holder – may acquire the Land, not your subsidiary, trust or other entity.</p>	As stated in the Consent
Standard condition 2: Tell us when you acquire the Land	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none"> the date you acquired the Land (Settlement), consideration paid (plus GST if any), the structure by which the acquisition was made and who acquired the Land, and 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 do this.</p> <p>You must then:</p> <ol style="list-style-type: none"> Allow a person we appoint (Inspector) to: <ol style="list-style-type: none"> enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection), 	At all times

<ul style="list-style-type: none"> (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. <p>2. Take all reasonable steps to facilitate an Inspection including:</p> <ul style="list-style-type: none"> (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. <p>3. During an Inspection:</p> <ul style="list-style-type: none"> (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 not unsuitable to invest in New Zealand	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Assets in accordance with section 18A(1) of the Act.</p> <p>The Individuals Who Control You are individuals who:</p> <ul style="list-style-type: none"> (c) are members of your governing body, (d) directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you, and (e) are members of the governing body of the people referred to in paragraph (b) above. 	<p>At all times</p>

Standard condition 5: Tell us about changes that affect you, the people who control you, or people you control

You must tell us in writing if any of the following events happens to any of the Consent holders:

1. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act.
2. You cease to be an overseas person or dispose of all or any part of the Land.
3. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you.

Within 20 working days after the change

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 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 the Land. After we have given you notice, you must:

Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.

Within six weeks of the date of our notice.

Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.

Within six weeks of the date of our notice.

Dispose of the Land: dispose of the Land to a third party who is not your associate.

Within six months of our notice.

Offer without reserve: if you have not disposed of the Land within six months of our notice, offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.

Within nine months of our notice.

<p>Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.</p>	<p>By the last day of every March, June, September and December after our notice or at any other time we require.</p>
<p>Report disposal to us: send us, in writing, evidence:</p> <ul style="list-style-type: none"> (a) that you have disposed of the Land, (b) of disposal (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor), (c) the purchaser is not your associate. 	<p>Within one month after the Land has been disposed of.</p>

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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.

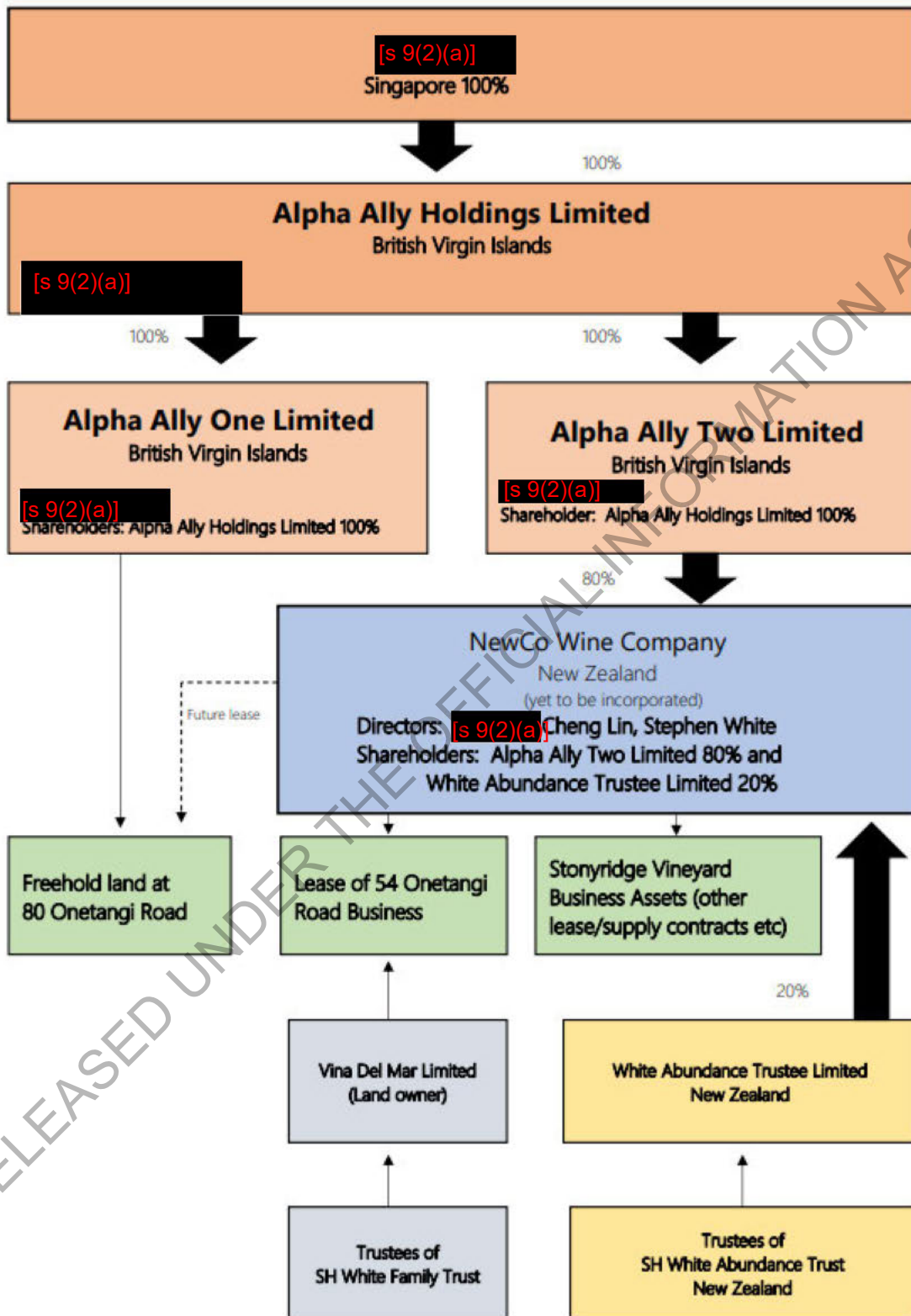
In addition to Settlement reporting (as set out in Standard Condition 2), you must provide the OIO with reports detailing the progress of the investment. The reports must:

1. be submitted via our [Webform](#) by these dates:
 - a. 30 September 2024; and
 - b. 30 September 2026.
2. contain information about:
 - a. your progress in implementing the special conditions (which can include photographs, maps or aerial imagery as evidence of compliance with relevant conditions);
 - b. the amount of capital expenditure expended to date on the vineyard development;
 - c. the number of new FTE jobs created to date as a result of the vineyard development;
 - d. the amount of export receipts generated from the business;
3. follow the format of the template annual report published on our website.

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:

- (d) 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
- (e) the conditions of this Consent.

ATTACHMENT 2 – INTENDED OWNERSHIP STRUCTURE



ATTACHMENT 3 – OTHER BENEFIT FACTORS

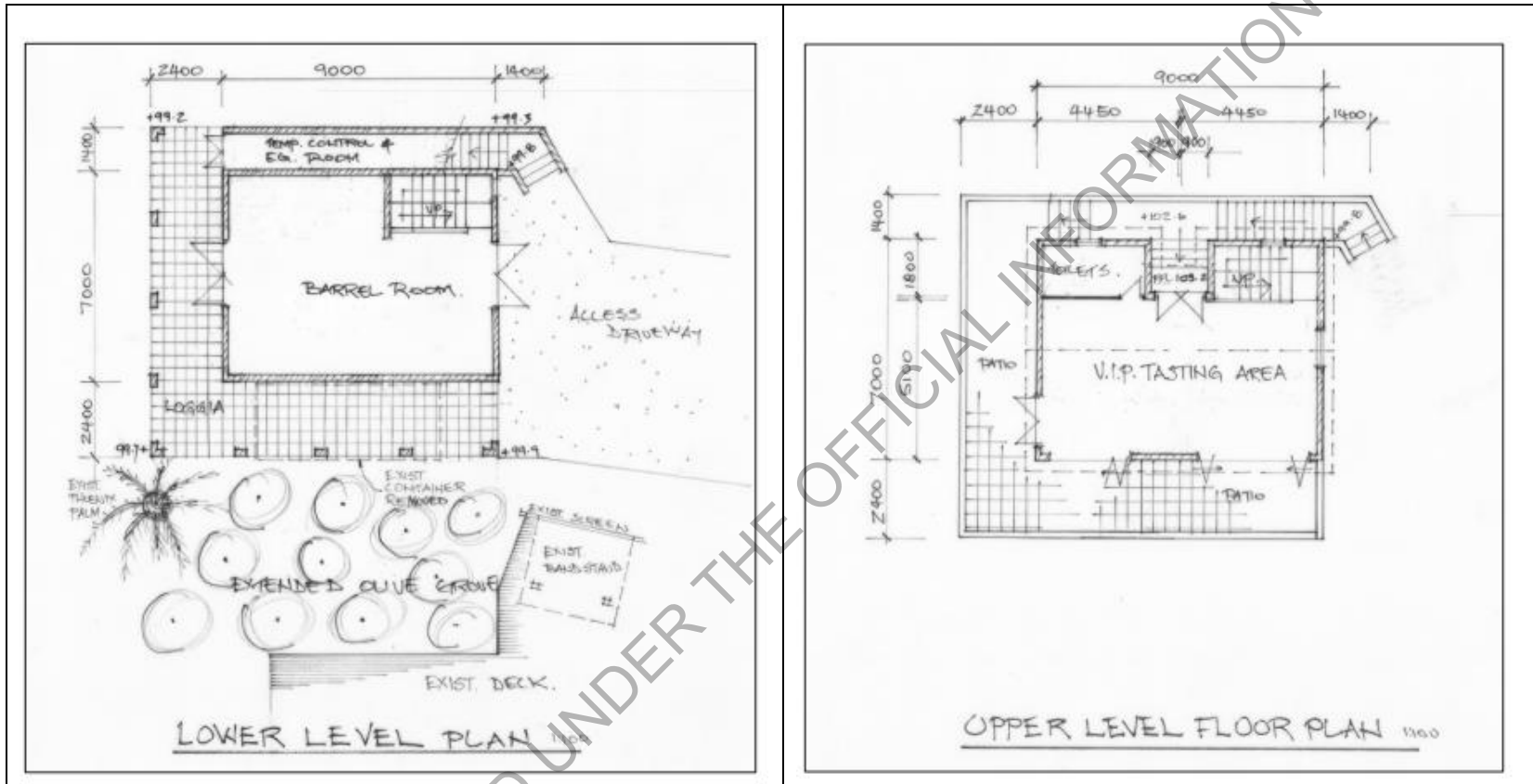
The table below lists other factors in the Act for assessing the benefit of overseas investments.

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 the purposes of our assessment.

Factor	Reason not relevant or insufficient
Oversight or participation by New Zealanders	The winery is currently 100% owned and controlled by a New Zealander (Stephen White, Vendor). Under the proposed investment Stephen White will effectively sell down his interest to 20% and be employed as brand ambassador. Compared to the current state there is a decrease in New Zealand participation.
Public access	Not relevant – this benefit was not claimed by the Applicant. For completeness, the Applicant contacted the Outdoor Access Commission, which recommended that public access be created over 80 Onetangi Road. The Vendor advised the Applicant that a pathway already exists on a neighbouring property and there is no need for a second track to achieve the link recommended.
Historic heritage	Not relevant – there are no known areas of historic heritage on the Land.
Oversight or participation by New Zealanders	Not met – the investment will result in a net reduction in New Zealand ownership.
Consequential benefits	Not met – no consequential benefits result from the investment.
Extraction of water for bottling	Not relevant – the investment does not involve any water bottling.

ATTACHMENT 4 – ARCHITECTURAL DRAWINGS / LOCATION MAP

Architectural drawings of the proposed new building for the Larose Club House and Barrel Cellar



Google Maps image – location of Stonyridge Vineyard on Waiheke Island.

