

11 December 2014

Mya Nguyen
Commerce Commission
PO Box 2351
Wellington 6140

FROM: Grant David
DIRECT: +64 4 498 4908
MOBILE: +64 27 4410 322
EMAIL: grant.david@chapmantripp.com
PARTNER: Pip England
REF: 100136427/2134896.1

Dear Mya

CAVALIER WOOL HOLDINGS

- 1 I have been giving further thought over night to the disturbing revelations in my letter to you of yesterday regarding the apparent shareholding and ultimate ownership of Lempriere (Australia) Pty Ltd (**Lempriere Australia**) and the commercial intentions of that company in relation to its proposed shareholding in Cavalier Wool Holdings.
- 2 To recap on my letter of yesterday, it would appear that Lempriere Australia in fact is controlled by Shandong RuYi Science & Technology Group Ltd (**RuYi**), being a company incorporated in the People's Republic of China. Seemingly RuYi is a textile manufacturer owned by a consortium of investors based in both China and Japan. Although William Lempriere is currently the only director of Lempriere Australia, he is a minority shareholder and presumably can be removed as director and replaced by RuYi's nominees at RuYi's discretion.
- 3 Lempriere Australia on completion of the acquisition for which authorisation has been sought will immediately become a 45% shareholder in Cavalier Wool Holdings, with the immediate right to appoint two directors (paragraph 3.2 of Shareholders Agreement refers). Cavalier Bremworth, with a 27.5% shareholding, will be entitled to appoint 1 director; and Direct Capital and ACC by aggregating their 13.75% shareholdings will be able together to appoint 1 director.
- 4 But that is not the end of the matter. The "Lempriere Option" set out in paragraph 9 of the Shareholders Agreement provides that each of Direct Capital and ACC grants Lempriere Australia a call option to acquire all of their shares at any time no later than 31 December 2016. That option must be exercised in respect of all of the shares held by both those shareholders. An elaborate pricing formula is prescribed. Interestingly if that initial option is not exercised, a second option that must be exercised no later than 31 December 2018 is provided (albeit at a set price).
- 5 When that option has been exercised, Lempriere Australia as a 72.5% shareholder will be entitled to appoint 3 directors.
- 6 The existence of those options suggests that Direct Capital and ACC are keen to exit Cavalier Wool Holdings; and Lempriere Australia is keen to have them exit in order to get a majority shareholding and control of that company. Further, the pricing formula suggests that Direct Capital and ACC will exit Cavalier Wool Holdings as soon as the sale

of surplus land and assets by Cavalier Wool Holdings (euphemistically characterised in the Application as “public benefits”) has occurred. Presumably, the proceeds of those asset sales will be remitted to shareholders by way of dividend; but it is unclear whether that will happen before Direct Capital and ACC are required by Lempriere Australia to exit.

7 It must be anticipated that, within the timeframe that the Commission generally considers business acquisitions, Lempriere Australia will hold 72.5% of Cavalier Wool Holdings, with the balance held by Cavalier Bremworth. Thus, ultimate control of Cavalier Wool Holdings - and the then only remaining wool scours in New Zealand - will be under the effective control of RuYi and its anonymous investors based in China and Japan.

8 All that makes a mockery of the “Commercial rationale for the acquisition” as set out in paragraph 5 of the Application. There it is claimed that:

8.1 The commercial rationale for the acquisition has its genesis in the significant changes which have taken place in New Zealand’s agricultural, and broader, economy over the last 2-3 decades.

9 More specifically:

5.4 This transaction provides CWH and NZWSI with a path to addressing and responding to those challenges. Put simply it will enable the parties to gain increased economies of scale and thereby enable the merged entity to compete more effectively with offshore scourers ...

10 Nowhere in the Application is the identity of Lempriere Australia’s ultimate shareholder revealed. No mention is made in paragraph 6 of the Application (which describes the transaction documents) to the existence and effect of the Lempriere Option.

11 Further, the Application places much emphasis on the claimed “rise of Asian wool scouring”, especially in China, as growing competition to and imposing considerable constraint on the merged entity. But, no indication is given as to whether either RuYi itself, or its Chinese and Japanese investors, are in fact involved in Asian wool scouring. However, the fact that RuYi is described as a “textile manufacturer” suggests that it is likely to have some involvement in upstream scouring.

12 I also note that no mention of RuYi’s involvement is made in the file note of the Commission’s interview dated 13 November 2014 with Cavalier Group and Direct Capital representatives (which file note was provided to us yesterday). According to that file note, it was claimed that the transaction contemplated by the authorisation granted in 2011 was “essentially an asset sale”, which the NZWSI Board was not comfortable with. Lempriere then took an interest in completing the takeover. It is said “this began in 2012 and was completed in early 2013”.

13 Further, it is stated in the file note that:

At that time there were discussions with [Lempriere] about the industry and their motivations in the transaction. These discussions eventually became about the opportunities to rationalise and gain efficiencies.

14 Of course the timing on those discussions is crucial. Put bluntly, they occurred *before* effective control of Lempriere Australia passed from William Lempriere himself to RuYi. Whatever may have been said in those discussions in relation to New Zealand wool industry rationalisation and efficiency, they did not involve Lempriere Australia's now majority owner.

15 I further note that at paragraph 7 under the heading "No overseas dimension" the Application claims simply that:

7.1 The proposed acquisition has no overseas dimension.

16 Clearly, given the fact that Lempriere Australia and its ultimate controlling shareholder RuYi are both overseas companies, and are both involved in the global textile industry, that is not true. Indeed, it contradicts the statement at paragraph 2.2 of the Application that:

The purchase of NZWSI provided the Lempriere Group a comprehensive footprint in all sectors of the wool market, making it one of the world's largest wool merchants and processors.

17 That reference in the Application to Lempriere's acquisition of NZWSI prompted us to obtain under the Official Information Act and examine Lempriere Australia's application to the Overseas Investment Office, being the only regulatory consent sought for that acquisition.

18 As I pointed out at our meeting on 3 December, Lempriere Australia represented to the Overseas Investment Office as follows:

[Lempriere Australia] is currently aware of Cavalier Wool Holdings Limited's interest in the wool scouring assets of the NZWSI business. [Lempriere Australia] has no intention to dispose of those assets.

19 I attach for your further information our subsequent correspondence with the Overseas Investment Office expressing concern that the monitoring reports required to be provided as a special condition of the OIO's consent seem to indicate that the claims made by Lempriere Australia as to the introduction of new technology or business skills have not been fulfilled. That of course is a matter for the Overseas Investment Office.

20 However both those uncertainties (i.e. as to Lempriere Australia's intention with regard to NZWSI's assets and claims to introduce new technology or business skills) do suggest that Lempriere Australia's commercial rationale for the current acquisition for which authorisation is sought must be thoroughly examined by the Commission. Certainly, that commercial rationale must have regard to the intentions of its now controlling shareholder RuYi and the investors in that company.

21 Put very bluntly, it is plain that there *is* a significant overseas dimension to the proposed acquisition. What is not plain however, is what precisely that dimension might be. The prospect of the only remnant of the New Zealand wool scouring industry passing under the effective control of an overseas owner, which may well have its own competing scouring interests, cannot be ignored.

- 22 Even if those competition concerns prove unfounded, the complex ownership chain combined with the Lempriere Option mean that the potential is there for any proceeds of the asset sales to be stripped from the company and any remaining benefit of a revitalised Cavalier Wool Holdings to pass substantially to an overseas owner.
- 23 In short, even if some of the benefits referred to in the NERA report were to eventuate post-acquisition, they must be very substantially discounted. Meanwhile the whole of the detriments identified (but, we say, are significantly understated) in the NERA report would remain.
- 24 Finally, please note that continued confidential status of the transaction documents meant we were considerably restricted in our ability to discuss the contents of this letter, and the full implications of the acquisition for which authorisation is sought, with our client, Godfrey Hirst.

Yours sincerely



Grant David
CONSULTANT

DIRECT: +64 4 498 4908

EMAIL: grant.david@chapmantripp.com

10 December 2014

Mya Nguyen
Commerce Commission
PO Box 2351
Wellington 6140

FROM: Grant David
DIRECT: +64 4 498 4908
MOBILE: +64 27 4410 322
EMAIL: grant.david@chapmantripp.com
PARTNER: Pip England
REF: 100136427/2133989.1

Dear Mya

CAVALIER WOOL HOLDINGS

- 1 I refer to your email of 8 December 2014, among other matters, asking that Godfrey Hirst and its expert provide independent comment on the likely benefits and detriments claimed in the Application and accompanying NERA report.
- 2 We have asked Professor Neil Quigley to set down in summary form his comments on the NERA report, as expressed at our meeting with the Commission. This is attached as Appendix A. As I indicated at our meeting, Godfrey Hirst would be happy for Professor Quigley to meet with the Commission's economist, Reuben Irvine, to discuss his comments (especially on the need for greater focus on dynamic efficiency losses) in more detail if that would assist.
- 3 Turning now to the Application more generally, we note that this has been presented as effectively a re-run of what Cavalier sought to do (and the Commission and Court approved) last time. This is clear from the Executive Summary of the Application, where it is stated that:

Other than a further reduction in the available wool clip, a new overseas scouring alternative and a slight increase in the volume of greasy wool exported to China, the substance provided in the course of the previous authorisation process remains largely unchanged.
- 4 Similar comment is made in the Introduction to the NERA report, which states:

The economics of the proposed merger appear to be very similar to those previously authorised.
- 5 That is factually incorrect. In the previous application, Cavalier Bremworth would have acquired 50% of Cavalier Wool Holdings and clearly been the driving force post-acquisition. This time Lempriere (Australia) Pty Limited, with its initial shareholding of 45% in Cavalier Wool Holdings post acquisition, will be in the driving seat.
- 6 Further, for reasons readily apparent in the transaction documents, but which we are still unable to reveal to and discuss with our client, there is the potential for that

initial shareholding by Lempriere (Australia) Pty Ltd to be immediately increased to 72.5% by exercise of its option.

- 7 Thus, we submit that the involvement of Lempriere (Australia) Pty Ltd in the New Zealand wool industry, together with the ownership, reputation and commercial intentions of that company, all need to be fully and carefully assessed by the Commission.
- 8 In particular, the ownership and industry involvement of Lempriere (Australia) Pty Ltd will be highly relevant to the ability of Cavalier Wool Holdings to implement successfully the changes that it is claimed will produce the savings referred to in the NERA report. Those purported savings by Cavalier Wool Holdings represent the only benefits.
- 9 Second, the shareholding and ultimate ownership of Lempriere (Australia) Pty Ltd is also highly relevant to whether those benefits (if achieved) may properly be said to constitute gains to the public of New Zealand. It is well established that the public benefit test focusses on benefits to New Zealanders rather than to overseas owned entities and their shareholders.
- 10 At our meeting, the Commission tabled a diagram of the corporate structure post-authorisation, which is attached as Appendix B. That diagram shows Lempriere (Australia) Pty Ltd as having a new shareholding of 45% in CWH; with Cavalier Bremworth having its share in that company reduced to 27.5%; and ACC and Direct Capital having their respective shares similarly reduced to 13.75%.
- 11 The Application at para 1.3 gives contact details for Lempriere (Australia) Pty Ltd. At para 2.1 the Application indicates that Lempriere (Australia) Pty Ltd has acquired 100% of the shares in NZWSI through a public takeover offer. Paragraphs 2.2 and 2.3 of the Application go on to describe very briefly the fact that William Lempriere is the current sole director of Lempriere (Australia) Pty Ltd; the involvement of the Lempriere family in the wool industry; and the other business operations in New Zealand of the Lempriere Group.
- 12 Since our meeting with the Commission we have received from Australia a company search of Lempriere (Australia) Pty Ltd and other materials which contains information about the structure and shareholding of that company which seems seriously at odds with what has been represented both to the Commission in the Application and previously to the Overseas Investment Office.
- 13 Very briefly, it would seem that on 4 July 2013 a 51% interest in Lempriere (Australia) Pty Ltd in fact was sold to Laine Commodities Pte Ltd. That company in turn is owned ultimately by Shandong RuYi Science & Technology Group Limited being a company incorporated in the People's Republic of China.
- 14 All this is set out in our letter to the Overseas Investment Office, a copy of which is attached as Appendix C.

- 15 Shandong RuYi Scientific & Technical Group Company Limited has been described very briefly in the report from the Australian Deputy Prime Minister and Treasurer (attached as Appendix D) as follows:

RuYi is a textile manufacturer owned by a consortium of investors based in both China and Japan.

- 16 If it is correct that a 51% shareholding in Lempriere (Australia) Pty Ltd has passed to RuYi, then clearly William Lempriere as merely a minority shareholder will not be able to procure Lempriere (Australia) Pty Ltd to act in accordance with his other business interests and experience, or indeed the joint venture arrangements contemplated by the transaction documents that supposedly will give rise to the benefits being claimed.
- 17 Further, to the extent that those benefits do arise, the majority of those benefits would pass immediately to overseas interests. The initial shareholding of Lempriere (Australia) Pty Ltd substantially understates the extent to which those benefits might in fact pass to overseas entities.
- 18 Further, the omission to disclose the true ownership of Lempriere (Australia) Pty Ltd would seem to have serious implications for the integrity of the Commission's process. In particular, paragraph 3 of the Commission's prescribed form for application seeking authorisation requires as follows:

3. With respect to the merger parties, list the relevant companies and the person or persons controlling these directly or indirectly. Please use organisational charts or diagrams to show the structure of the ownership and the control of the acquirer and participants to the acquisition.

- 19 Clearly that has not been done.
- 20 Please note that the whole of this letter is confidential as to disclose its contents to any person would be likely unreasonably to prejudice the commercial position of our client.

Yours sincerely



Grant David
CONSULTANT

DIRECT: +64 4 498 4908
EMAIL: grant.david@chapmantripp.com

Notes from Professor Neil Quigley

The Post-Merger Constraints Provided by Scouring in China and Malaysia

1. NERA have not indicated that they have obtained any information on the ability of scouring in China to provide any effective constrain on the exercise of monopoly power by the merged entity. NERA do not appear to have considered whether:
 - (i) The cost of shipping coarse greasy wool to China, having it scoured, and shipping it back to New Zealand for use in manufacture, provides a realistic constraint on a monopoly supplier of wool scour services in New Zealand.
 - (ii) Wool scours in China and Malaysia have the capacity to process coarse (as opposed to fine) wool, and are prepared to do so on a contract basis for New Zealand users of clean wool.

NERA have also not considered the cost of the capital tied up in the wool while it is shipped to China and back. This cost of capital can in effect be added to the transport costs in calculating the extent to which Chinese scouring could constrain the exercise of monopoly power in New Zealand.

The Post-Merger Constraints Provided by Potential Entry

2. NERA does not consider the impact of the proposed restrictive covenants on the sites that are being divested on the cost of entry. NERA should have considered that an entrant would need to obtain a consent under the Resource Management Act before commencing operations. This would have two costs that should be considered:
 - (i) The costs of obtaining the consent (which should make allowance for the incumbent to oppose the issue of a consent and thus raise the costs of an entrant).
 - (ii) The costs of delay in beginning production after purchasing a proposed site.

It is unlikely that production could commence until the beginning of the third year, and this delay would have a large impact on the expected returns of an entrant.

3. NERA's model of entry does not consider the potential for the merged entity to respond to the threat of entry by reducing prices so as to undermine the expected profitability of the entrant. The Commission will need to consider the potential for the merged entity to reduce prices to the level of avoidable costs to deter entry. This strategy can be more effective in a situation where an entrant would require time to develop a "green fields" scouring plant.

4. NERA does not consider the potential for the merged entity to exercise monopoly power in both the North and the South Islands. If it costs 30c/kg to move wool between the North and South Island for scouring, then back to the North Island for spinning, then below that 30c / kg threshold there are separate markets for scouring wool in the North and South Islands as the Commission has previously recognised. This means that NERA should have assessed the feasibility of entry in both the North and South Islands to support its national approach to pricing, and it should have considered the implications of the “winner take all” competition for wool scouring in both markets that would be created by this entry (given that one scouring plant in each Island can meet all of the demand for wool scouring).
5. NERA do not consider the investment decision of a potential entrant. In particular, NERA do not consider the fact that entry destroys the “real option” of the entrant to delay entry, and will therefore only occur at high expected rates of return. NERA uses a discount rate that is much too low to capture the returns that a potential entrant would require before investing in entry.
6. Given the separation of the markets for wool scouring in the North and the South Island, NERA should have either have:
 - a. Considered the risk faced by an entrant establishing plants in both the North and the South Island, and adjusted the required rate of return for the risk associated with a “winner take all” competition with the incumbent, or
 - b. Considered a situation where entry occurs in one Island, but monopoly power can freely be exercised (within the bounds defined by inter-island transport costs) in the other island.
7. The above points about the limitations on the ability of entry to constrain the exercise of monopoly power mean that NERA should have considered a scenario where no entry occurs and where the exercise of monopoly power is constrained only by the cost of scouring wool in China or Malaysia. Even if entry is possible there is some probability that under the market conditions described in the application entry will not occur.

Vertical Foreclosure Following Merger

8. With no ongoing supply contracts to protect Godfrey Hirst, NERA should have considered the potential for the vertically-integrated merged entity to use non-price mechanisms to foreclose GH from the market for clean wool. This could take the form of delays in supply at certain times of the year, prioritisation of other customers (including the merged-entities’ own upstream carpet manufacturers) as well as full foreclosure. The potential for such foreclosure of GH would increase allocative efficiency detriments of the merger.

Dynamic Efficiency

9. Dynamic efficiency refers to the efficiency of the framework for decision-making over time. Dynamically efficient industries are those in which the incentives for decision-making work to maximise the present value of social welfare, subject to the overall resource constraints of the economy. A dynamically efficient economy is one in which the incentives for decision-making by the owners and managers of firms are such as to maximise long-run social welfare by providing the optimal level of new investment in assets and technologies that will maximise economic growth.
10. NERA refer to dynamic efficiency only in relation to the incentive to invest in innovation, but this is only one element of dynamic efficiency, and in an industry like wool scouring it may not be the most important. On the information available to me, it seems like that investment and divestment decisions (relating to plant location and scale) are more important sources of dynamic efficiency.
11. Decision-making by the monopolist will be less efficient when the threat of competition is absent, and firm strategies that are inefficient will persist because there will be an absence of competitors implementing alternative (more efficient) investment strategies. If the monopoly provider of wool scours can survive with productive and allocative efficiency losses at the level calculated by NERA, then it will also be able to survive with investment and divestment strategies that are inefficient, and that will substantially increase future allocative and productive efficiency losses over time.
12. The absence of competitive decision making and a competitor within New Zealand will in the extreme mean that poor decision-making at a monopoly operator of a wool scour could lead to the failure of the NZ wool scour industry – the most extreme level of cost arising from dynamic inefficiency. It is inappropriate to assume that the interests of the shareholders of the monopolist will eliminate this risk: if the shareholders of a monopoly agree to the wrong strategy then there are not competitors to continue to supply the market.
13. NERA should have considered a broader view of dynamic efficiency than that associated with its “propensity to innovate” approach. A greater focus on the dynamic efficiency losses arising where monopoly power removes the constraints of competitive decision-making on investment and divestment decisions is consistent with the views of the High Court para 221 about the importance of the incentives to invest in new technology for dynamic efficiency.

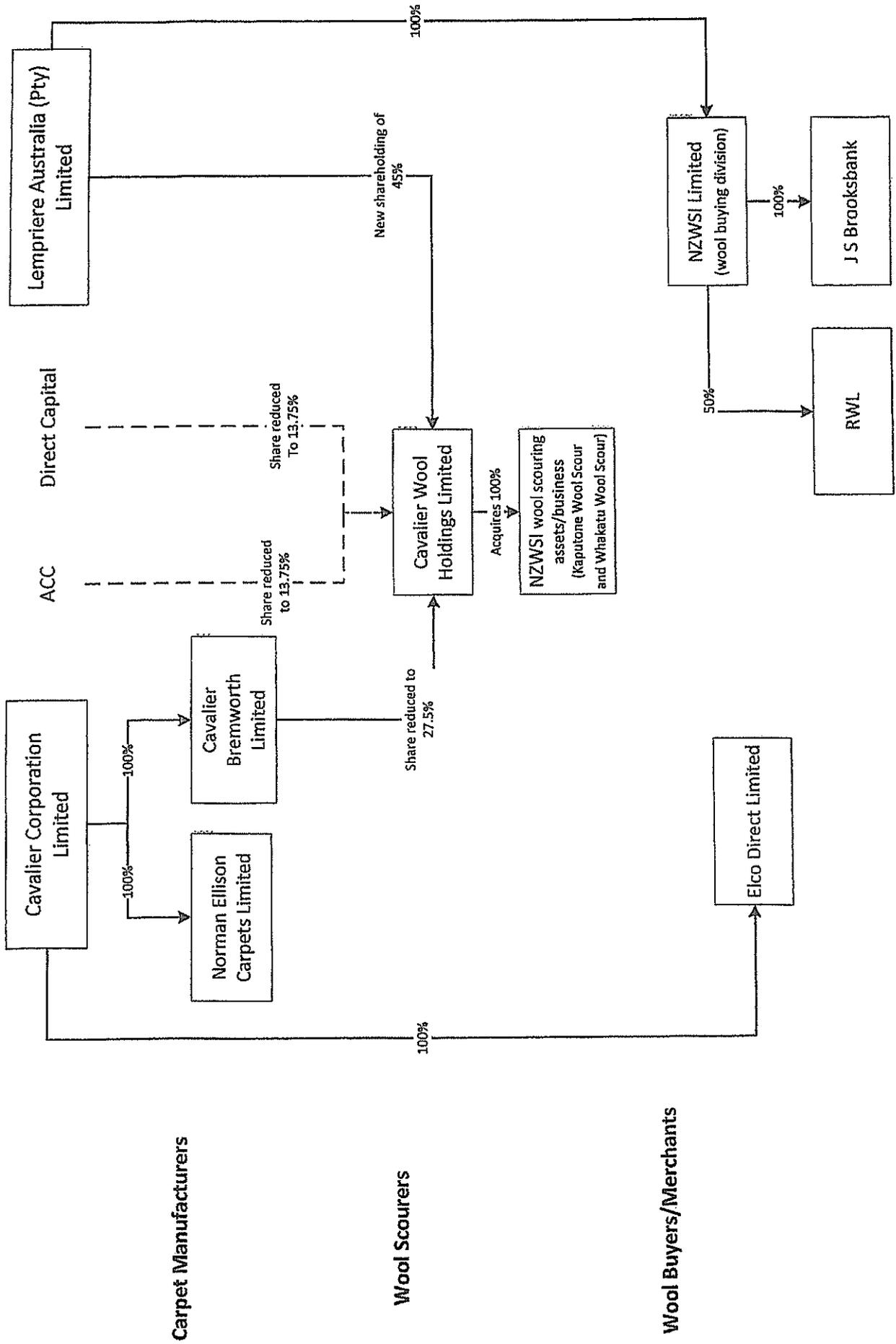
Summary

14. NERA have produced an analysis based closely on their analysis of an earlier merger proposal. There appear to be three main problems with the NERA analysis;

- a. The merger currently being proposed is not similar to the earlier merger proposal because the contracts that protected Godrey Hirst at the time of the earlier proposal are expiring, and because the proposal includes covenants preventing entry at the sites that are being closed.
- b. The importance of the covenants on the sites being closed is increased by the fact that the market for wool scouring in the North Island is separate from the market for wool scouring in the South Island. Entry in both markets would be required to limit the exercise of monopoly power by the merged entity. The likelihood of simultaneous entry in both the North and the South Island must be lower than the likelihood of entry through the establishment of one plant in either the North or the South Island, and the expected level of profitability required by a prospective entrant entering the North and the South Island simultaneously would be much higher than NERA assume. The productive and allocative efficiency losses from the merger will be much larger than NERA estimate.
- c. Given the productive and allocative efficiency losses arising from the merger calculated by NERA, the dynamic efficiency losses that they calculate are implausibly small. While innovation in the wool scouring industry is not likely to be important, a much wider class of dynamic efficiency losses should have been considered by NERA.

Neil Quigley
3 December 2014

Corporate Structure Post-Authorisation



10 December 2014

Annelies McClure
Overseas Investment Office
Level 7
Radio New Zealand House
155 The Terrace
Wellington 6011

FROM: Grant David
DIRECT: +64 4 498 4908
MOBILE: +64 27 4410 322
EMAIL: grant.david@chapmantripp.com
PARTNER: Pip England
REF: 100136427/2133836.2

Dear Annelies

CASE 201220065 - WSI HOLDINGS PTY LIMITED/LEMPRIERE (AUSTRALIA) PTY LTD

- 1 I write to raise concerns about a potential change in control of sensitive land for which consent does not appear to have been granted under the Overseas Investment Act (the **Act**).
- 2 On 11 February 2013, consent was granted under the Act for an Australian company, WSI Holdings Pty Ltd (**WSI Holdings**), to acquire up to 100% of the shares in New Zealand Wool Services International Limited (**NZWSI**), which at the time owned and controlled certain sensitive land at Whakatu in Hastings (the **Sensitive Land**). Consent was granted under Case 201220065.
- 3 Information provided to the OIO at the time of the application indicated that WSI Holdings was owned by Lempriere (Australia) Pty Ltd, with that company in turn ultimately owned by William Lempriere and his immediate family. This diagram is attached as Annex 1.
- 4 We understand that transaction proceeded, although ownership of the Sensitive Land in question has since been transferred to Benwill Properties Limited (**BPL**), a New Zealand company that appears to also be ultimately owned by William Lempriere and his immediate family.
- 5 Based on information provided to the Commerce Commission, I understand that BPL leases the Sensitive Land to NZWSI, and NZWSI continues to operate a wool scouring business on the sensitive land. NZWSI is now 100% owned by Lempriere (Australia) Pty Ltd.
- 6 What is of concern is that we have just received from Australia results of searches into the ownership of Lempriere (Australia) Pty Ltd. It contains information about the structure and shareholding of that company which now seems seriously at odds with what has been represented to both the Overseas Investment Office (**OIO**) in relation to case 201220065 and the Commerce Commission in relation to the application seeking authorisation currently before it.

- 7 In short, on its face it appears that there has in fact been a fundamental change in ownership and control of Lempriere (Australia) Pty Ltd, being the entity that controls the holder of a leasehold interest in the sensitive land in New Zealand.

Change in ownership of Lempriere (Australia) Pty Limited

- 8 From the company search we have received it appears that on 4 July 2013 a 51% interest in Lempriere (Australia) Pty Limited was sold to Laine Commodities Pte. Ltd. The company searches of Lempriere (Australia) Pty Ltd and Laine Commodities Pte. Ltd are attached as Annex 2 and 3 respectively.
- 9 We also attach as Annex 4 Laine Commodities Pte. Ltd's financial report from that company's incorporation to 30 June 2013. Note 1 to the financial statements on page 9 of the financial report (and which form an integral part of that report) describe Laine Commodities Pte Ltd as follows:

Laine Commodities Pte. Ltd (the "Company") is a private limited company incorporated and domiciled in Singapore with its registered office at 21 Merchant Road, #04-01, Singapore 058267. The Company's registration number is 201229999W.

The principal activity of the Company is investment holding company.

The Company's immediate holding company is Dalrae Pty Ltd, a company incorporated in Australia, which hold the investment in trust on behalf of Forever Winner International Development Limited, a company incorporated in Hong Kong. The Company's intermediate holding company is Shandong RuYi Science & Technology Group Co. Ltd, a company incorporated in People's Republic of China. The Company's ultimate holding company is Jining RuYi Investment Co. Ltd.

- 10 Further, at Note 7 on page 14 of the financial report it is shown that consideration of A\$43 million was paid for the 51% shareholding in Lempriere (Australia) Pty Ltd.

Potential implications under the Act

- 11 This information on its face suggests that there may have been an overseas investment in sensitive land for the purposes of section 12(b) of the Act, by virtue of Laine Commodities Pte Ltd (an overseas person) acquiring a 25% or more ownership or control interest in Lempriere (Australia) Pty Ltd, which in turn indirectly owns or controls a leasehold interest in the Sensitive Land (by virtue of Lempriere (Australia) Pty Ltd holding 100% of the shares in NZWSI).
- 12 We have no information on whether the leasehold interest is for a term of 3 years or more, but given that NZWSI has owned or used the sensitive land in the conduct of its wool scouring business for a number of years, it seems reasonable to infer that the lease is for a term of 3 years or more, or that the parties certainly intend that it will continue for a term of 3 years or more. If this is the case, then consent under the Act should have been obtained for Laine Commodities Pte. Ltd to acquire 51% of Lempriere (Australia) Pty Ltd. To our knowledge, there is no record of consent under the Act having been granted

- 13 Further, and seriously, there is no reference to that significant change in ownership of Lempriere (Australia) Pty Ltd in any of the three 6-monthly monitoring reports subsequently to be provided by WSI Holdings Pty Ltd as a specified condition of the OIO's consent.
- 14 Those omissions have serious consequences for the integrity of the OIO's process.
- 15 There are also potential political ramifications. It has come to our attention that in 2012, Shandong RuYi Scientific & Technological Group Co. Ltd and Lempriere Pty Ltd (being an associated entity of Lempriere (Australia) Pty Ltd) were approved to acquire the assets of Cubbie Station, a large cotton growing enterprise, in Australia. A company search of CS Agriculture, which owns Cubbie Station is attached at Annex 5. It appears that the group that acquired a 51% shareholding in Lempriere also was involved in the purchase of Cubbie Station.
- 16 Attached at Annex 6 is an excerpt from the Australian Senate Committee into Foreign Investment and the National Interest from June 2013 setting out the background to, and concern at, the Cubbie Station purchase and the weight put on the independence of Lempriere to manage it. When the acquisition was completed in 2013, there was emphasis put on the need for RuYi to sell down its 80% share. Although the entity with the interest in Cubbie Station is Lempriere Pty Ltd (not Lempriere Australia Pty Ltd), the fact that the Australian Senate Committee had concern at RuYi's controlling interest of Cubbie Station would have been most relevant to the OIO's determination had the fact RuYi's acquisition of control of Lempriere (Australia) Pty Ltd ever been drawn to its attention.
- 17 It may be that there is some explanation for Laine Commodities Pte Ltd's acquisition of a controlling interest in Lempriere (Australia) Pty Ltd having occurred without prior OIO consent being obtained, but that is not apparent. Whatever the position, that transfer of effective control away from William Lempriere has serious ramifications for the substantial public benefits claimed in relation to both the OIO's determination and the application seeking authorisation currently before the Commerce Commission. It also raises serious concerns for the New Zealand wool industry generally.
- 18 We would be happy to meet with you urgently if that would assist.

Yours sincerely

Grant David

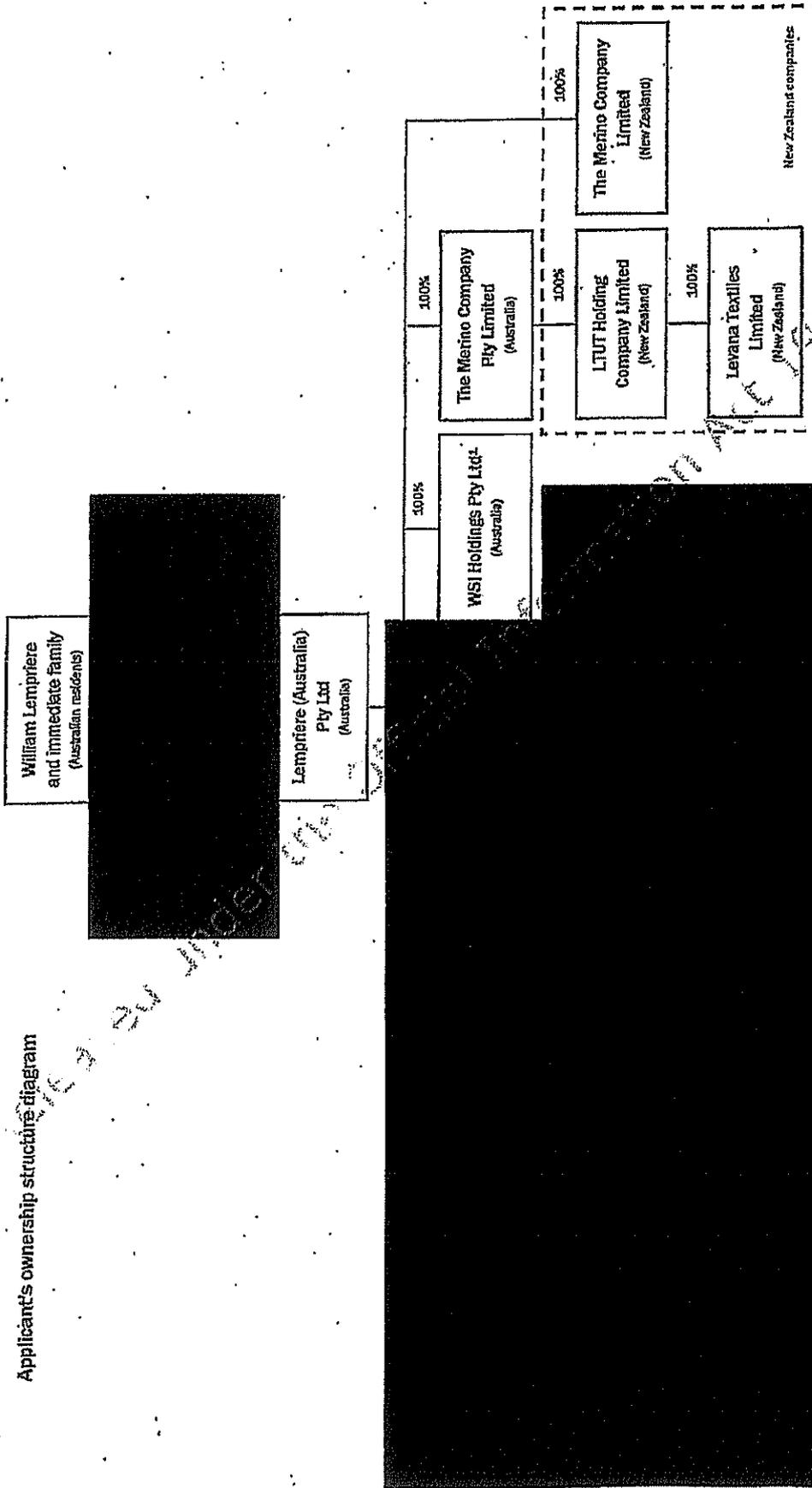
CONSULTANT

DIRECT: +64 4 498 4908

EMAIL: grant.david@chapmantripp.com

Schedule 1

Applicant's ownership structure diagram



Company File (Comprehensive) for LEMPRIERE (AUSTRALIA) PROPRIETARY LIMITED

Request ID: 141205-W112I-035TC Report Created: 05-Dec-2014 4:18 PM
 Charge back no: ASIC Extract Date: 05-Sep-2014 3:00 PM
 Subject: LEMPRIERE (AUSTRALIA) PROPRIETARY Veda File Number: 72246800
 LIMITED

This Company File (Comprehensive) report contains all data received in a Company Extract Current & Historical obtained at 05 Sep 2014 3:00 PM, sourced from the Australian Securities and Investment Commission's database under section 1274A of the Corporations Act 2001. 1) As at the Report Created date and time; this report is deemed up-to-date, 2) has been enhanced with a Australian Business Register summary, 3) has been enhanced with an indication of any adverse information held on the Veda database. To report any errors or omissions regarding this report please contact Veda.

Summary

Status:

- ✓ ABR: registered
- ✓ ASIC: Registered
- ✓ ABN: active from 24-Mar-2000

Adverse information: ✘ Adverse information present on Veda file.

Adverse information recorded on the Veda file includes defaults, mercantile enquiries, judgements, writs, external administration and petitions.

Identity

ABR Summary

Legal Name: LEMPRIERE (AUSTRALIA) PROPRIETARY LIMITED
 ABN: 27004386841
 last updated: 15-Jan-2014
 ABN Status: active from 24-Mar-2000
 Entity type:
 Location: VIC 3000

ASIC organisation details

Name: LEMPRIERE (AUSTRALIA) PROPRIETARY LIMITED
 Name start date: 02-Apr-1958
 ABN: 27004386841
 ACN : 004386841
 Registration date: 30-Aug-1957
 Next review date: 31-Aug-2015
 Status: Registered
 Company Type: Australian Proprietary Company
 Class: Limited By Shares
 Subclass: Proprietary Company
 Registered in: VIC
 Previous state no: C0038354A
 Document Number: 028173863
 Disclosing Entity: No

ASIC organisation details (02-Apr-1958 - 30-Jan-1992)

Name: LEMPRIERE (AUSTRALIA) PROPRIETARY LIMITED

Name start date: 02-Apr-1958
ABN: 27004386841
ACN : 004386841
Registration date: 30-Aug-1957
Next review date: 31-Aug-2015
Status: Registered
Company type: Australian Proprietary Company
Class: Limited By Shares
Subclass: Exempt Proprietary Company
Registered in: VIC
Previous state no: C0038354A
Document Number: 000680748 (AR 1990)
Disclosing Entity: No

ASIC organisation details (17-Sep-1957 - 01-Apr-1958)

Name: LEMPRIERE (VICTORIA) PROPRIETARY LIMITED
Name start date: 17-Sep-1957
ABN: 27004386841
ACN : 004386841
Registration date: 30-Aug-1957
Next review date: 31-Aug-2015
Status: Registered
Company type: Australian Proprietary Company
Class: Limited By Shares
Subclass: Exempt Proprietary Company
Registered in: VIC
Previous state no: C0038354A
Document Number: 000680748 (AR 1990)
Disclosing Entity: No

ASIC organisation details (30-Aug-1957 - 16-Sep-1957)

Name: LEMPRIERE (VICTORIA) LIMITED
Name start date: 30-Aug-1957
ABN: 27004386841
ACN : 004386841
Registration date: 30-Aug-1957
Next review date: 31-Aug-2015
Status: Registered
Company type: Australian Public Company
Class: Limited By Shares
Subclass: Unknown
Registered in: VIC
Previous state no: C0038354A
Document Number: 000680748 (AR 1990)
Disclosing Entity: No

Registered Office

Current Address: PITCHER PARTNERS
'PITCHER PARTNERS'
LEVEL 19, 15 WILLIAM
STREET
MELBOURNE VIC
3000

from 08-Apr-2009
Doc No: 7E2115142

Previous Address(es): 599 LITTLE COLLINS STREET
MELBOURNE VIC 3000
from: 13-May-1987
until: 07-Apr-2009
Doc No: 004318100
(AR 1993)

599 LITTLE COLLINS STREET
MELBOURNE VIC 3000
from: 13-May-1987
until: 10-Jan-1994
Doc No: 000680748
(AR 1990)

35 DRYBURGH STREET
WEST MELBOURNE VIC 3003
from: 30-Aug-1957
until: 12-May-1987

Principal Place of Business

Current Address: LEVEL 7, 460 COLLINS STREET
MELBOURNE VIC 3000
from: 10-Nov-2008
Doc No: 7E1934784

Previous Address(es): 599 LITTLE COLLINS STREET
MELBOURNE VIC 3000
from: 30-Jun-1993
until: 09-Nov-2008
Doc No: 004318100
(AR 1993)

599 LITTLE COLLINS STREET
MELBOURNE VIC 3000
from: 31-Jan-1991
until: 10-Jan-1994
Doc No: 000680748
(AR 1990)

Contact Address for ASIC use only

Current Address: LEVEL 19, 15 WILLIAM STREET
MELBOURNE VIC 3000
from: 28-Jun-2003

Section 146A of the Corporations Act 2001 states: 'A contact address is the address to which communications and notices are sent from ASIC to the company'
This address is recorded for ASIC use only

Org Structure

Director (8)

	Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Current	LEMPRIERE, WILLIAM DOUGALL 52 MCKINLEY AVENUE MALVERN VIC 3144	01-Jul-1997		21-Dec-1967 in MELBOURNE, VIC	213502561	0E1245445
Previous	CHEUNG, MING ROOM B, LEVEL 10, TOWER 1, TIVOLI GARDEN, TSING YI KOWLOON HONG KONG	04-Mar-2013	03-Jun-2013	10-Mar-1958 in GUANGDONG, CHINA		028436793
	DAVIS, MICHAEL JOHN 36 DEAKIN STREET ESSENDON VIC 3040	29-May-1998	03-Jun-2011	19-Jan-1961 in MELBOURNE, VIC	227703211	014467846

LEMPRIERE, DIANA ROSEMARY 3 FAIRLIE COURT SOUTH YARRA VIC 3141	28-Apr-1982 10-Feb-2010	14-Dec-1939	144878256	002154216 (AR 1991)
LEMPRIERE, MICHAEL RAOUL 3 FAIRLIE COURT SOUTH YARRA VIC 3141	10-Aug-1970 01-Oct-2008	11-Nov-1936	60155140	002154216 (AR 1991)
NELSON, MARTIN BARRY 50 HILL STREET BENTLEIGH EAST VIC 3165	05-Oct-1987 01-Jul-1997	18-May-1936	15615667	5E0055091 (AR 1996)
PITCHER, RONALD GEORGE 438 REYNOLDS ROAD ELTHAM VIC 3095	19-Jan-1977 27-Nov-1992	07-Apr-1939	91555847	002154216 (AR 1991)
LESLIE, STEWART JAMES 9 CINTRA AVENUE ST KILDA VIC 3182	16-Jun-1987 22-Jan-1991	23-Sep-1952	47256889	000680748 (AR 1990)

Secretary (2)

Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Previous LEMPRIERE, MICHAEL RAOUL 3 FAIRLIE COURT SOUTH YARRA VIC 3141	31-Aug-1976	01-Oct-2008	11-Nov-1936 in MELBOURNE, VIC	60155140	002154216 (AR 1991)
PITCHER, RONALD GEORGE 438 REYNOLDS ROAD ELTHAM VIC 3095	16-Jun-1987	27-Nov-1992	07-Apr-1939 in MELBOURNE, VIC	91555847	000680748 (AR 1990)

Appointed Auditor (2)

Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Previous PITCHER PARTNERS OTHER :053759149 PITCHER PARTNERS LEVEL 6, 161 COLLINS STREET MELBOURNE VIC 3000	18-Nov-1991	11-Jun-2014	unknown in VIC		002154216 (AR 1991)
PEAT MARWICK HUNGERFORDS OTHER :051738240 500 BOURKE STREET MELBOURNE VIC 3000	Unknown	15-Nov-1991	unknown in VIC		000680748 (AR 1990)

Ultimate Holding Company (1)

Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Previous LEMPRIERE HOLDINGS PROPRIETARY LIMITED ACN :004174074			unknown unknown		008274699 (AR 1994)

Share structure

Class: ORDINARY SHARES

Class Code: ORD
 Shares issued: 15,000
 Paid on shares issued: \$ 30,000.00 total
 Unpaid on shares \$ 0.00 total
 Issued:
 Premium account: \$ 0.00 (balance)
 ASIC document: 002154216 (AR 1991)

Members(2)

Name	Class	Shares	Beneficially Held	Paid	ASIC Document
BENWILL PTY. LTD. LEVEL 19, 15 WILLIAM STREET MELBOURNE VIC 3000 ABN:73005000984 ACN 005000984	ORDINARY SHARES	7350	No	Yes	028668174
LAINÉ COMMODITIES PTE LTD 21 MERCHANT RD, #04-01 ROYAL MERUKH S.E.A. BUILDING 058267 SINGAPORE	ORDINARY SHARES	7650	No	Yes	028668174

Previous Members(5)

Name	Class	Shares	Beneficially Held	Paid	ASIC Document
LAINÉ COMMODITIES PTE LTD 21 MERCHANT ROAD #04-01 MERUKH S.E.A. BUILDINGS 058267 SINGAPORE	ORDINARY SHARES	7650	No	Yes	028436793
MYARING NOMINEES PTY. LTD. LEVEL 19, 15 WILLIAM STREET MELBOURNE VIC 3000 ACN 005050564	ORDINARY SHARES	6079	No	Yes	7E3505369
LEMPRIERE HOLDINGS PROPRIETARY LIMITED 'PITCHER PARTNERS' LEVEL 19, 15 WILLIAM STREET MELBOURNE VIC 3000 ABN 94004174074 ACN 004174074	ORDINARY SHARES	15000	Yes	Yes	7E2115142
SPASMAR PTY. LTD. SUITE 1004, 16-20 BRIDGE STREET SYDNEY NSW 2000 ACN 000231550	ORDINARY SHARES	1	Yes	Yes	000680748 (AR 1990)
LEMPRIERE HOLDINGS PROPRIETARY LIMITED 599 LITTLE COLLINS STREET MELBOURNE VIC 3000 ABN 94004174074 ACN 004174074	ORDINARY SHARES	14999	Yes	Yes	000680748 (AR 1990)

For each class of shares issued by a proprietary company ASIC records the details of the twenty members of the class (based on shareholdings). The details of any other members holding the same number of shares as the twentieth ranked member will also be recorded by ASIC on the database

Where available, historical records show that a member has ceased to be ranked amongst the twenty members. This may, but does not necessarily mean, that they have ceased to be a member of the company

Year	Return Due	Extension	AGM due	Extension	AGM held	Outstanding
1986	31-Jan-1987	unknown	31-Dec-1986	unknown	31-Dec-1986	No
1987	30-Jan-1988	unknown	30-Dec-1987	unknown	30-Dec-1987	No
1988	31-Jan-1989	unknown	31-Dec-1988	unknown	23-Dec-1988	No
1989	31-Jan-1990	unknown	31-Dec-1989	unknown	31-Dec-1989	No
1990	31-Jan-1991	unknown	31-Dec-1990	unknown	31-Dec-1990	No
1991	31-Jan-1992	unknown	31-Dec-1991	unknown	31-Dec-1991	No
1992	31-Jan-1993	unknown	31-Dec-1992	unknown	31-Dec-1992	No
1993	31-Jan-1994	unknown	31-Dec-1993	unknown	31-Dec-1993	No
1994	31-Jan-1995	unknown	31-Dec-1994	unknown	08-Dec-1994	No
1995	31-Jan-1996	unknown	unknown	unknown	unknown	No
1996	31-Jan-1997	unknown	unknown	unknown	unknown	No
1997	31-Jan-1998	unknown	unknown	unknown	unknown	No
1998	31-Jan-1999	unknown	unknown	unknown	unknown	No
1999	31-Jan-2000	unknown	unknown	unknown	unknown	No
2000	31-Jan-2001	unknown	unknown	unknown	unknown	No
2001	31-Jan-2002	unknown	unknown	unknown	unknown	No
2002	31-Jan-2003	unknown	unknown	unknown	unknown	No

When the table above states "unknown" for a date, the precise date may be available from records taken over on 1 January 1991 and held by the ASIC in paper or microfiche

Securities (ASIC)

Definition and Notes

As of January 30th 2012 ASIC current securities and charges are no longer available from ASIC due to the Personal Properties Securities Act (PPSA).

09-Nov-1988 : BNP PARIBAS NOMINEES (AUSTRALIA) PTY LIMITED

ASIC Charge No: 104099
 registered:09-Nov-1988
 created:25-Oct-1988
 Status: Satisfied
 Fixed / Floating: Both Fixed & Floating
 Chargees: BNP PARIBAS NOMINEES (AUSTRALIA) PTY LIMITED
 ACN :000342398

ASIC Doc No	Form	Description	Pages	Lodged	Processed
023638538	312	NOTIFICATION OF (A) DISCHARGE	1	18-Apr-2007	26-Apr-2007

03-Nov-1980 : AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

ASIC Charge No: 104274
 registered:03-Nov-1980
 created:16-Oct-1980
 Status: Satisfied
 Chargees: AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 ACN :005357522

ASIC Doc No	Form	Description	Pages	Lodged	Processed
-------------	------	-------------	-------	--------	-----------

002885071 312 NOTIFICATION OF (A) DISCHARGE 1 24-Jun-1992 21-Jan-1993

08-Jun-1995 : BNP PARIBAS NOMINEES (AUSTRALIA) PTY LIMITED

ASIC Charge No: 492547
 registered 08-Jun-1995
 created 25-May-1995
 Status: Satisfied
 Fixed / Floating: Both Fixed & Floating
 Chargees: BNP PARIBAS NOMINEES (AUSTRALIA) PTY LIMITED
 ACN 000342398

ASIC Doc No	Form	Description	Pages	Lodged	Processed
023638539	312	NOTIFICATION OF (A) DISCHARGE	1	18-Apr-2007	26-Apr-2007

26-Aug-2003 : ANZ FIDUCIARY SERVICES PTY LTD

ASIC Charge No: 971836
 registered 26-Aug-2003
 created 31-Jul-2003
 Status: Satisfied
 Fixed / Floating: Both Fixed & Floating
 Chargees: ANZ FIDUCIARY SERVICES PTY LTD
 ACN 100709493

ASIC Doc No	Form	Description	Pages	Lodged	Processed
024243466	312	NOTIFICATION OF (A) DISCHARGE	1	29-Oct-2007	30-Oct-2007

ASIC Documents

Financial Reports

ASIC Doc No	Balance Date	Report Due Date	AGM Held Date	AGM Due Date	Extended AGM Due Date	Outstanding
011789212	30-Jun-1996	Unknown	Unknown	Unknown	Unknown	Yes

Document(s)

ASIC Doc No	Form	Description	Pages	Received	Processed	Effective
028899211	315	(A) Notice of Resignation or Removal of Auditor Resignation Of	1	17-Jun-2014	02-Jul-2014	11-Jun-2014
028685523	2205	(F) Notification of Resolution Relating to Shares Financial	16	20-Aug-2013	12-Sep-2013	09-Aug-2013
028637322	2602	(A) Notification of Financial Assistance Details Approval By	11	23-Jul-2013	12-Sep-2013	23-Jul-2013
028637319	2601	Notification of Intention to Give Financial Assistance	2	23-Jul-2013	14-Aug-2013	07-Aug-2013
028668174	484	(N) Change to Company Details Changes to (Members) Share	3	11-Jul-2013	15-Jul-2013	15-Jul-2013
7E5263543	484	Change to Company Details	3	04-Jun-2013	04-Jun-2013	04-Jun-2013

		(E) Appointment or Cessation of a Company Officeholder				
		(N) Changes to (Members) Share Holdings				
028436793	484	Change to Company Details	11	01-Mar-2013	19-Mar-2013	19-Mar-2013
		(E) Appointment or Cessation of a Company Officeholder				
		(N) Changes to (Members) Share Holdings				
028469913	484	(N) Change to Company Details Changes to (Members) Share	11	01-Mar-2013	14-Mar-2013	06-Mar-2013
7E4785226	484	(D) Change to Company Details Change to Ultimate Holding Company	2	16-Oct-2012	16-Oct-2012	16-Oct-2012
910277542	9204	Pre 1991 Memorandum And Articles	21	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277543	9205	Pre 1991 Regd Office/place of Business, Agent,Officeholders	17	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277544	9206	Pre 1991 Annual Return And Other Documents	37	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277545	9206	PRE 1991 ANNUAL RETURN AND OTHER DOCUMENTS	60	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277546	9207	PRE 1991 MORTGAGES, CHARGES, DEBENTURES RECEIVER APPOINT/	52	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277547	9207	PRE 1991 MORTGAGES, CHARGES, DEBENTURES RECEIVER APPOINT/	60	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277548	9209	PRE 1991 SECURITY REGISTER RELATING TO COMPANY CHARGES	25	31-Jul-2012	31-Jul-2012	31-Jul-2012
910277549	9206	PRE 1991 ANNUAL RETURN AND OTHER DOCUMENTS	3	31-Jul-2012	31-Jul-2012	31-Jul-2012
028173863	488	(B) APPLICATION TO CHANGE REVIEW DATE OF A COMPANY OR SCHEME	4	04-May-2012	15-Jun-2012	04-May-2012
027832858	350	CERTIFICATION OF COMPLIANCE WITH STAMP DUTIES LAW BY	2	24-Oct-2011	25-Oct-2011	24-Oct-2011
027759177	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	54	28-Sep-2011	29-Sep-2011	26-Aug-2011
7E3839221	484	(E) CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A	2	26-Jul-2011	26-Jul-2011	26-Jul-2011
027538183	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538182	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538181	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538180	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538179	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538178	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538177	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
027538176	312	(C) NOTIFICATION OF RELEASE OF PROPERTY	2	07-Apr-2011	17-May-2011	07-Apr-2011
7E3505369	484	(N) CHANGE TO COMPANY DETAILS CHANGES TO (MEMBERS) SHARE	3	01-Mar-2011	01-Mar-2011	01-Mar-2011
7E2771153	484	(E) CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A	2	17-Mar-2010	17-Mar-2010	17-Mar-2010
7E2543089	484	(E) CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A	2	13-Nov-2009	13-Nov-2009	13-Nov-2009
7E2115142	484	CHANGE TO COMPANY DETAILS (B) CHANGE OF REGISTERED ADDRESS (A2) CHANGE MEMBER NAME OR ADDRESS	2	01-Apr-2009	01-Apr-2009	01-Apr-2009
7E1934784	484	(C) CHANGE TO COMPANY DETAILS CHANGE OF PRINCIPAL PLACE OF	2	04-Dec-2008	04-Dec-2008	04-Dec-2008
024243474	350	CERTIFICATION OF COMPLIANCE WITH STAMP DUTIES LAW BY	1	29-Oct-2007	30-Oct-2007	29-Oct-2007
024243471	350	CERTIFICATION OF COMPLIANCE WITH STAMP DUTIES LAW BY	1	29-Oct-2007	30-Oct-2007	29-Oct-2007

7E1328983	484	(A1) CHANGE TO COMPANY DETAILS CHANGE OFFICEHOLDER NAME OR	2	23-Oct-2007	23-Oct-2007	23-Oct-2007
023770277	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	47	07-May-2007	09-May-2007	11-Apr-2007
023770282	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	47	07-May-2007	09-May-2007	11-Apr-2007
017284135	483	COMPANY COMPLIANCE STATEMENT (RESPONSE TO RETURN OF	2	12-May-2006	08-Jun-2006	27-Apr-2006
019575305	488	(B) APPLICATION TO CHANGE REVIEW DATE OF A COMPANY OR SCHEME	4	25-Sep-2003	30-Sep-2003	25-Sep-2003
019531990	311	(B) NOTIFICATION OF CHANGE TO DETAILS OF CHARGE	21	10-Sep-2003	10-Sep-2003	31-Jul-2003
019531989	311	(A) NOTIFICATION OF ASSIGNMENT OF CHARGE	2	10-Sep-2003	10-Sep-2003	31-Jul-2003
019531988	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	37	10-Sep-2003	10-Sep-2003	31-Jul-2003
019521008	311	(B) NOTIFICATION OF CHANGE TO DETAILS OF CHARGE	20	26-Aug-2003	26-Aug-2003	31-Jul-2003
019521007	311	(A) NOTIFICATION OF ASSIGNMENT OF CHARGE	2	26-Aug-2003	26-Aug-2003	31-Jul-2003
019521006	311	(A) NOTIFICATION OF ASSIGNMENT OF CHARGE	2	26-Aug-2003	26-Aug-2003	31-Jul-2003
019515331	311	(B) NOTIFICATION OF CHANGE TO DETAILS OF CHARGE	19	26-Aug-2003	26-Aug-2003	31-Jul-2003
019521005	311	(A) NOTIFICATION OF ASSIGNMENT OF CHARGE	2	26-Aug-2003	26-Aug-2003	31-Jul-2003
019515329	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	36	26-Aug-2003	26-Aug-2003	31-Jul-2003
018007262	304	(C) NOTIFICATION OF CHANGE OF NAME OR ADDRESS OF OFFICEHOLDER	1	11-Nov-2002	18-Nov-2002	30-Oct-2002
5E0925997	902	SUPPLEMENTARY DOCUMENT	1	01-Nov-2002	04-Nov-2002	01-Nov-2002
5E0903846	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	3	02-Oct-2002	04-Nov-2002	27-Aug-2002
5E0750133	316	ANNUAL RETURN (P) CHANGE OF NAME OR ADDRESS OF OFFICEHOLDER (L) ANNUAL RETURN - PROPRIETARY COMPANY	3	07-Jan-2002	07-Jan-2002	07-Jan-2002
0E4731903	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	3	18-Aug-2000	18-Aug-2000	18-Aug-2000
0E4030156	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	3	17-Jan-2000	17-Jan-2000	11-Jan-2000
0E2199783	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	4	17-Aug-1998	17-Aug-1998	24-Jul-1998
014467846	304	(A) NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN	2	22-Jul-1998	22-Jul-1998	29-May-1998
0E1245445	304	(A) NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN	1	22-Jul-1997	22-Jul-1997	01-Jul-1997
0E1194642	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	4	27-Jun-1997	27-Jun-1997	15-May-1997
008366746	109	APPLICATION FOR LETTER OF GOOD STANDING	2	04-Mar-1997	04-Mar-1997	04-Mar-1997
011789212	373	NOTICE OF EXEMPTION UNDER S.317B(3) FROM LODGING ACCOUNTS	1	29-Oct-1996	11-Nov-1996	29-Oct-1996
5E0055091	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	4	29-Jul-1996	12-Aug-1996	23-Jul-1996
009719718	316	(L) ANNUAL RETURN - PROPRIETARY COMPANY	5	13-Dec-1995	19-Dec-1995	13-Dec-1995
009275061	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	19	06-Sep-1995	06-Sep-1995	01-Sep-1995
009275060	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	19	06-Sep-1995	06-Sep-1995	01-Sep-1995

009275059	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	19	06-Sep-1995	06-Sep-1995	01-Sep-1995
006034560	309	(A) NOTIFICATION OF DETAILS OF A CHARGE	35	08-Jun-1995	09-Jun-1995	25-May-1995
008274699	316	(L) ANNUAL RETURN	5	12-Dec-1994	19-Jan-1995	08-Dec-1994
004318100	316	(L) ANNUAL RETURN	4	11-Jan-1994	20-Jan-1994	31-Dec-1993
003633109	316	(L) ANNUAL RETURN	5	20-Jan-1993	28-Jan-1993	31-Dec-1992
003395790	304	(A) NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN	2	09-Dec-1992	16-Dec-1992	27-Nov-1992
002154216	316	ANNUAL RETURN (E) CORRECTIONS (L) ANNUAL RETURN	5	31-Jan-1992	23-Apr-1992	31-Jan-1992
000999487	304	(A) NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN	2	22-Feb-1991	24-Apr-1991	22-Jan-1991
000680748	316	ANNUAL RETURN (E) CORRECTIONS (L) ANNUAL RETURN	4	31-Jan-1991	19-Mar-1991	31-Jan-1991
000084100	C4	RELEASE / SATISFACTION OF CHARGE	2	Unknown		
000084099	C1	NOTICE OF CHARGE	1	Unknown		
000105704	C4	RELEASE / SATISFACTION OF CHARGE	2	Unknown		
000105703	C1	NOTICE OF CHARGE	1	Unknown		
000105702	C4	RELEASE / SATISFACTION OF CHARGE	2	Unknown		
000105701	C1	NOTICE OF CHARGE	1	Unknown		
000084098	C1	NOTICE OF CHARGE	2	Unknown		

Pre-ASIC Document Details

State/Territory	Date Received	Form Code	Document Status
VIC	13-May-1987	CCF055	
VIC	16-Jun-1987	CCF061	
VIC	10-Nov-1987	CCF061	
VIC	12-Jan-1988	CCF066	
VIC	09-Nov-1988	CCF047	
VIC	05-Jan-1989	CCF066	
VIC	15-Jan-1990	CCF066A	
VIC	15-Jan-1990	CCF066	

© 2008 Veda Information Services and Solutions Ltd. All rights reserved. This report is not financial advice. Veda Advantage Information Services and Solutions Ltd. does not accept liability for acts or omissions of others, including those who provide third party information included in this report.

END OF REPORT

LOCAL COMPANY TRANSACTIONS**FILING OF ANNUAL RETURN**

Name of Company. : LAINE COMMODITIES PTE. LTD.

Registration No. : 201229999W

Company Type during Financial Period Concerned. : LIMITED PRIVATE COMPANY

Please select applicable option

Active

Dormant

Registered Office Address

: 21, MERCHANT ROAD
#04- 01 ROYAL MERUKH S.E.A
SINGAPORE(058267)

Address where Register of Members kept if other than the Registered Office

:

Particulars of Directors, Managers, Secretaries, Auditors, Shareholders as at: 23/05/2014**Director(s)**

S/No.	Name Address	Identification No.	Date of Appointment Nationality
1	CHEUNG MING ROOM B, LEVEL 10, TOWER 1, TIVOLI GARDEN, TSING YI, KOWLOON, HONG KONG	HA1831756	20/12/2012 CHINESE
2	LIM CHOON SENG 9, BOON KENG ROAD #09- 160 SINGAPORE(330009)	S0073363F	07/12/2012 SINGAPORE CITIZEN

Secretary(ies)

S/No.	Name Address	Identification No.	Date of Appointment Nationality
1	LIM CHOON SENG 9, BOON KENG ROAD #09- 160 SINGAPORE(330009)	S0073363F	13/02/2013 SINGAPORE CITIZEN

Auditor(s)

S/No.	Name Address	Identification No.	Date of Appointment Nationality
1	BDO LLP 21, MERCHANT ROAD #05- 01 ROYAL MERUKH S.E.A SINGAPORE(058267)	T10LL0001F	13/02/2013

LOCAL COMPANY TRANSACTIONS

FILING OF ANNUAL RETURN

Shareholder(s):

S/No.	Name Address	Identification No. Nationality	Number of shares held
1	DALRAE PTY LTD CHRISTINE YIP LEVEL 8, 17 CASTLEREAGH STREET SYDNEY NSW 2000, AUSTRALIA	T12UF3774L AUSTRALIA	Currency : SINGAPORE, DOLLARS Ordinary : 1 Preference : 0 Others : 0

Summary of Share Capital and Shares

	Currency	Class of Shares	Preference	Others
Currency	: SINGAPORE, DOLLARS			
Class of Shares		: Ordinary		
Number of Shares			1.00	0.00
Issued Share Capital			1.00	0.00
Paid Up Share Capital			1.00	0.00

LOCAL COMPANY TRANSACTIONS

FILING OF ANNUAL RETURN

Other Information on Shares (to be updated prior to filing of Annual Return)

Currency : SINGAPORE, DOLLARS

Please fill in the information where applicable.

	Ordinary	Preference	Others
(i) Shares paid in cash			
(a) Number of shares issued subject to payment wholly in cash :	1.00	0.00	0.00
(ii) Shares paid otherwise than in cash (i.e. non-cash) :			
(a) Number of shares issued as fully paid up otherwise than in cash :	0.00	0.00	0.00
(b) Total amount, if any, agreed to be considered as paid on those (i.e. the above) shares which have been deemed issued as fully paid up otherwise than in cash :	0.00	0.00	0.00
(iii) Partly paid otherwise than in cash (i.e. non-cash) :			
(a) Number of shares issued as partly paid up to the extent of 0.00 per share otherwise than in cash :	0.00	0.00	0.00
(b) Total amount, if any, agreed to be considered as paid on those (i.e. the above) shares which have been issued to that extent	0.00	0.00	0.00
(c) Total amount, if any, agreed to be considered as unpaid on those shares	0.00	0.00	0.00
(iv) Forfeited Shares :			
(a) Total number of shares forfeited since the date of the last summary of return or if none had been filed previously, the date of incorporation :	0.00	0.00	0.00
(v) Treasury Shares			
(a) Total number of ordinary shares held as treasury shares:	0.00		
(vi) Calls :			
(a) Additional calls paid since the date of last return: (Note: This includes all amounts paid pursuant to calls (whether on account of the par or premium); see Section 62(B)(2) Companies Act.	0.00	0.00	0.00
(b) Additional calls for unpaid premium for shares issued before 30 Jan 2006 (Amount will be added to the issued and paid up capital upon successful lodgement) :	0.00	0.00	0.00

LOCAL COMPANY TRANSACTIONS

FILING OF ANNUAL RETURN

(c) Total amount of calls unpaid :

0.00 0.00 0.00

(Note : Upon submitting the AR, "Paid up Share Capital" will include the additional calls paid)

(vii) Commissions (debentures)

0.00 0.00 0.00

(a) Total amount of the sums, if any, paid by way of commission in respect of any debentures since the date of the last summary of return or if none had been filed previously, since the date of incorporation :

Explanatory notes (if any) :
(max 2000 characters)

List of Registered Charges

-- NIL --

AGM and Financial Details

Date of Annual Return : 23/05/2014
 Date of Annual General Meeting : 30/04/2014
 Date Financial Statements made up to (Financial Period End) : 30/06/2013

Principal Activity(ies)

SSIC Code and SSIC Description as at Annual Return : 23/05/2014

SSIC Code(I) : OTHER INVESTMENT HOLDING COMPANIES(64202)
 SSIC Description(I) :
 SSIC Code(II) :
 SSIC Description(II) :

Is the principal activity(ies) as at Financial Period End different from the principal activity(ies) as at Date of Annual Return? Yes No

Order for Relief from Compliance with requirements of form and content granted under section 202

Date of Order :
 Description of Order :

Documents other than financial statements

Attach other document(s) if required by any other law to be filed with this Annual Return (apart from the financial statements).

Attachment : (must be in pdf format, max 2 MB size) :

LOCAL COMPANY TRANSACTIONS

FILING OF ANNUAL RETURN

Financial Information in XBRL (Select one of the following) :

Full set of financial statements in XBRL

Financial Statements Highlights

Only the following companies are allowed to file financial statements highlights :

- Banks, insurance companies and finance companies whose activities are regulated by the Monetary Authority of Singapore;
- Companies that are allowed by law to prepare financial statements in accordance with accounting standards other than the Singapore Financial Reporting Standards and the International Financial Reporting Standards;
- Insolvent EPCs (exempt private companies);
- Other companies which have obtained approval from ACRA.

Financial Statement Details

S/No.	Nature of Financial Information	Financial Year End	Uploaded By	Date	Select
1	Full set of financial statements in XBRL	30/06/2013	Rohani Binte Mohd Zin	23/05/2014	<input checked="" type="radio"/>

Statement of confirmation: Review copy Financial information generated from full set of financial statements in XBRL :

Click on the Financial Year End hyperlink under section: Financial Information in XBRL, to review the document titled "Financial Information", which is generated from the full set of financial statements in XBRL.

With regard to the information presented in the section titled "Financial Statements" in XBRL,

- I confirm that the information is legible; and
- I confirm that I have verified with director/secretary of the company; or I, director/secretary of the company, confirm that the information is identical in content to the financial statements tabled at the AGM (or sent to the shareholders, in the case of private company which has dispensed with holding an AGM).

AGM copy of Financial Statements in PDF (Optional):

Attach full set of financial statements as tabled at or used for the purposes of the Company's AGM.
(if document size does not exceed 2 MB, please attach it in Attachment 1. If it exceeds 2 MB, the file must be split into two attachments of maximum 2 MB each)

Attachment 1 : mmodities Pte. Ltd. - FS fye 30 June
201320140523152230.pdf

Continuation of Attachment :

Mandatory Information :

The Director's Report and Statement By Directors have been signed by :

- (i) HA1831756 CHEUNG MING
- (ii) S0073363F LIM CHOON SENG

LOCAL COMPANY TRANSACTIONS

FILING OF ANNUAL RETURN

Audit Status

Are the financial statements required to be audited (i.e. the company is not exempted from audit)? * : Yes No

Name of Public Accounting Entity that audited the financial statements : BDO LLP(T10LL0001F)

Name of Auditor who audited and signed off the financial statements : KHOO GAIK SUAN(01481)

DECLARATION BY A NON-EXEMPT PRIVATE COMPANY

I, CHOY HUI ZHEN SERENE, CORPORATE ALLIANCE PTE. LTD., director/secretary of the company, hereby declare that:-

I, CHOY HUI ZHEN SERENE, CORPORATE ALLIANCE PTE. LTD., hereby declare that I have verified from CHEUNG MING (HA1831756), director/secretary of the company that:-

- (i) the particulars of the above company in this Annual Return are accurate and up to date as at 23/05/2014 (date must not be more than 14 days prior to the date of lodgement);
- (ii) the abovenamed director/secretary has made an inspection of the share register and confirmed that transfer have not taken place since the date of the incorporation of the company;
- (iii) the company is a private company and the number of its member is not more than 50 (counting joint holders of shares as one person and not counting any person in the employment of the company or of its subsidiary or any person who while previously in the employment of the company or of its subsidiary was and thereafter has continued to be a member of the company); and

I, "CHOY HUI ZHEN SERENE, CORPORATE ALLIANCE PTE. LTD.", also declare that I have verified from CHEUNG MING (HA1831756), director of the company that the financial statements herewith have been prepared in accordance with Part VI of the Companies Act and where applicable, the financial information in XBRL format stated herein is accurate.

Click to confirm the above declaration.

Lodged in the office of the Registrar of Companies and Businesses by

Name : CHOY HUI ZHEN SERENE of CORPORATE ALLIANCE PTE. LTD.

Address :

Tel. No. : 68289136

Email : SERENECHOY@CORPORATEALLIANCE.COM.SG

Company Name : LAINE COMMODITIES PTE. LTD.

Date of Lodgment : 23/05/2014 16:21:17

Transaction No. : C140226780

Receipt No. : ACR0000005551686A

Amount Paid : 140.00

LAINÉ COMMODITIES PTE. LTD.
(Company Registration No. 201229999W)

Report of the Directors and Financial Statements
for the financial period from 7 December 2012
(date of incorporation) to 30 June 2013

LAIN COMMODITIES PTE. LTD.

REPORT OF THE DIRECTORS

The directors of the Company present their report to the member together with the audited financial statements of the Company for the financial period from 7 December 2012 (date of incorporation) to 30 June 2013.

1. Directors

The directors in office at the date of this report are:

Cheung Ming (Appointed on 20 December 2012)
Lim Choon Seng (Appointed on 7 December 2012)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial period had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act").

4. Director's contractual benefits

Since the date of incorporation, the director has not received or has not become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. A director received remuneration from related corporations in his capacity as directors and/or executives of those related corporations.

5. Share options

There were no share options granted by the Company during the financial period.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option as at the end of the financial period.

LAINE COMMODITIES PTE. LTD.

REPORT OF THE DIRECTORS

6. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.



Lim Choon Seng
Director



Cheung Ming
Director

28 March 2014

LAINE COMMODITIES PTE. LTD.

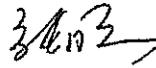
STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the accompanying financial statements of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 June 2013 and of the results, and changes in equity of the Company for the financial period from 7 December 2012 (date of incorporation) to 30 June 2013; and
- (b) at the date of this statement, with the continuing financial support from the intermediate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.



Lim Choon Seng
Director



Cheung Ming
Director

28 March 2014



Tel: +65 6828 9118
Fax: +65 6828 9111
info@bdo.com.sg
www.bdo.com.sg

BDO LLP
Chartered Accountants
21 Merchant Road #05-01
Singapore 058267

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LAINE COMMODITIES PTE. LTD.**

Report on the Financial Statements

We have audited the accompanying financial statements of Laine Commodities Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 30 June 2013, and the statement of comprehensive income, and statement of changes in equity for the financial period from 7 December 2012 (date of incorporation) to 30 June 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LAINE COMMODITIES PTE. LTD.

Report on the Financial Statements (Continued)

Opinion

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 June 2013 and of the results, and changes in equity of the Company for the financial period from 7 December 2012 (date of incorporation) to 30 June 2013.

Emphasis of Matter

We draw attention to Note 3 to the financial statements which indicates that the Company incurred a net loss of AUD18,932 during the financial period ended 30 June 2013, and, as of that date, the Company's current and total liabilities exceeded its current and total asset by AUD18,931. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our audit opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Boo up

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2014

LAINÉ COMMODITIES PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

	Note	Financial period from 7 December 2012 (date of incorporation) to 30 June 2013 AUD
Revenue		-
Administrative expenses		(18,932)
Loss before tax	5	<u>(18,932)</u>
Income tax expense	6	-
Loss for the financial period, representing total comprehensive income for the financial period		<u><u>(18,932)</u></u>

The accompanying notes from an integral part of the financial statements.

LAINÉ COMMODITIES PTE. LTD.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 AUD
ASSETS		
Current assets		
Deposit	7	<u>8,003,000</u>
Total assets		<u>8,003,000</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	8	1
Accumulated losses		<u>(18,932)</u>
Total equity		<u>(18,931)</u>
Current liabilities		
Loan from intermediate holding company	9	8,005,810
Other payable and accruals	10	<u>16,121</u>
Total liabilities		<u>8,021,931</u>
Total equity and liabilities		<u>8,003,000</u>

The accompanying notes from an integral part of the financial statements.

LAINÉ COMMODITIES PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

	Share capital AUD	Accumulated losses AUD	Total equity AUD
Balance as at 7.12.2012	1	-	1
Loss for the financial period, representing total comprehensive income for the financial period	-	(18,932)	(18,932)
Balance as at 30.6.2013	<u>1</u>	<u>(18,932)</u>	<u>(18,931)</u>

The accompanying notes from an integral part of the financial statements.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General corporate information

Laine Commodities Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore with its registered office at 21 Merchant Road, #04-01, Singapore 058267. The Company's registration number is 201229999W.

The principal activity of the Company is investment holding company.

The Company's immediate holding company is Dalrae Pty Ltd, a company incorporated in Australia, which hold the investment in trust on behalf of Forever Winner International Development Limited, a company incorporated in Hong Kong. The Company's intermediate holding company is Shandong RuYi Science & Technology Group Co. Ltd, a company incorporated in People's Republic of China. The Company's ultimate holding company is Jining RuYi Investment Co. Ltd.

The financial statements of the Company for the financial period ended 30 June 2013 were authorised for issue in accordance with a directors' resolution dated 28 March 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS (INT FRS) and are prepared under the historical cost convention, except as disclosed in the accounting policies below and ongoing concern basis as disclosed in Note 3 to the financial statements.

The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company are presented in Australian dollar ("AUD"), which is the functional and presentation currency of the Company.

In the current financial period, the Company has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial period. The adoption of these new or revised FRS and INT FRS does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current financial period.

FRS and INT FRS issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are relevant for the Company's accounting periods beginning on or after 1 January 2014 or later periods and which the Company has not early adopted.

Management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption, except as disclosed below.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 111 Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures

FRS 111 supersedes FRS 31, Interest in Joint Ventures, and INT FRS 13, Jointly Controlled Entities - Non-Monetary Contributions by Ventures. FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. Under FRS 111 all joint ventures must be accounted for under the equity method, as described in the revised FRS 28, with proportionate consolidation prohibited. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application.

Subsequent to reporting date, the Company has acquired a jointly controlled entity. As permitted by FRS 111, the Company will early adopt the FRS 111 for annual period beginning 1 July 2013.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. This new standard is likely to result in more extensive disclosures in the financial statements. As permitted by FRS 111, the Company will early adopt the FRS 112 for annual period beginning 1 July 2013.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Company's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 4.

2.2 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

2. Summary of significant accounting policies (Continued)

2.2 Income tax (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each financial period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

2.3 Financial instruments

Financial liabilities and equity instruments

Financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary shares as equity instruments.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.3 Financial instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities as loan from intermediate holding company and other payable and accruals.

Loan from intermediate holding company

The loan from intermediate holding company is recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, this financial liability is measured at amortised cost using the effective interest method.

Other payable and accruals

Other payable and accruals are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.4 Foreign currency transactions and translation

In preparing the financial statements of the Company, transactions in currencies other than the functional currency ("foreign currency") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

LAINE COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

3. Going concern

The Company incurred a net loss of AUD18,932 during the financial period ended 30 June 2013, and, as of that date, the Company's current and total liabilities exceeded its current and total asset by AUD18,931. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern. The ability of the Company to continue as a going concern depends on the intermediate holding company's undertaking to provide continued financial support.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets. No such adjustments have been made to these financial statements.

4. Critical judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of asset and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements that have a significant effect in the amount recognised in the financial statement.

4.2 Key sources of estimation uncertainty

Management is of the opinion that there are no key sources of estimation uncertainty at the end of the financial period that have a significant effect on the amounts of asset and liabilities within the next financial period.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

5. Loss before tax

Included within administrative expenses are as follows:

	Financial period from 7 December 2012 (date of incorporation) to 30 June 2013 AUD
Professional fee	<u>(18,932)</u>

6. Income tax expense

The Company is not subject to income tax as it has no chargeable income for the financial period.

Reconciliation of effective income tax rate

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% to loss before income tax as a result of the following differences:

	Financial period from 7 December 2012 (date of incorporation) to 30 June 2013 AUD
Loss before tax	<u>(18,932)</u>
Income tax calculated at statutory tax rate	3,218
Tax effect of not-deductible expenses	<u>(3,218)</u>
Income tax expense	<u>-</u>

7. Deposit

The amount represents non-refundable deposit paid to acquire 51% equity interest in an entity for a total consideration of AUD43,003,000. The acquisition was completed on 4 July 2013.

LAINE COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

8. Share capital

Financial period
from 7 December
2012 (date of
incorporation) to
30 June 2013
AUD

Issued and fully-paid
1 ordinary share at the date of incorporation and end of financial period 1

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

9. Loan from intermediate holding company

The loan from intermediate holding company is unsecured, interest-free, repayable on demand and to be settled in cash. The loan from intermediate holding company is denominated in Australian dollar.

10. Other payable and accruals

Financial period
from 7 December
2012 (date of
incorporation) to
30 June 2013
AUD

Non-trade payable - a related company	3,047
Accrued operating expenses	<u>13,074</u>
Total other payable and accruals	16,121
Add: loan from intermediate holding company (Note 9)	<u>8,005,810</u>
Total financial liabilities carried at amortised cost	<u>8,021,931</u>

The non-trade amount due to a related company represents expenses paid on behalf, is unsecured, interest-free, repayable on demand and to be settled in cash.

Other payable is denominated in Singapore dollar.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

11. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial period, in addition to the information disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	2013 AUD
Loan from intermediate holding company	8,002,999
Payment on behalf by an intermediate holding company	2,811
Payment on behalf by a related company	3,047
Capital injection from immediate holding company	<u>1</u>

There was no remuneration paid to key management personnel during the financial period.

LAINÉ COMMODITIES PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

12. Financial instruments and financial risks

The Company's activities expose it to liquidity risks and market risk (foreign currency risk). The Company's overall risk management seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Company. The Company's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the director.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

12.1 Liquidity risks

Liquidity risk refers to the risk which the Company encounters difficulties in meeting its short-term obligations. The Company manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met with the continuing financial support from its intermediate holding company.

All financial liabilities are non-interest bearing and matured within next 12 months.

12.2 Market risk

Foreign currency risk

The Company is exposed to currency risk arising from foreign currency exposures. The currency giving rise to this risk is primarily Singapore dollar. Exposure to foreign currency risk is monitored on an ongoing basis by the Company to ensure that the net exposure is at an acceptable level, as the Company manages its transactional exposure by a policy of matching, as far as possible, receipts and payments in each individual currency.

The Company has no significant exposure to foreign currency risk. As such, no foreign currency sensitivity analysis is considered necessary.

13. Fair value of financial assets and financial liabilities

The carrying amounts of the financial liabilities in the financial statements approximate their respective fair values at the end of the financial period due to the relatively short term maturity of these financial instruments.

LAINÉ COMMODITIES PTE. LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 7 DECEMBER 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013**

14. Capital risk management policies and objectives

The Company manages its capital to ensure that the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Company consists of loan from intermediate holding company, issued share capital and accumulated losses as presented in the statement of financial position. Management reviews the capital structure and considers the cost of capital and the risks associated with capital.

The Company overall strategy remains unchanged since the date of incorporation.

The Company is not subject to any externally imposed capital requirements for the financial period from 7 December 2012 (date of incorporation) to 30 June 2013.

15. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since its date of incorporation on 7 December 2012.

Company File (Comprehensive) for CS AGRICULTURE PTY LTD

Request ID: 141208-W53C6-00VS0 Report Created: 08-Dec-2014 10:46 AM
 Charge back no: ASIC Extract Date: 08-Dec-2014 10:46 AM
 Subject: CS AGRICULTURE PTY LTD Veda File Number: 772140232

This Company File (Comprehensive) report contains all data received in a Company Extract Current & Historical obtained at 08 Dec 2014 10:46 AM, sourced from the Australian Securities and Investment Commission's database under section 1274A of the Corporations Act 2001. 1) As at the Report Created date and time, this report is deemed up-to-date. 2) has been enhanced with a Australian Business Register summary. 3) has been enhanced with an indication of any adverse information held on the Veda database. To report any errors or omissions regarding this report please contact Veda.

Summary

Status:

- ✓ ABR: registered
- ✓ ASIC: Registered
- ✓ ABN: active from 05-Oct-2012

Adverse information: ✓ No adverse information present on Veda file.

Adverse information recorded on the Veda file includes defaults, mercantile enquiries, judgements, writs, external administration and petitions.

Identify

ABR Summary

Legal Name: CS AGRICULTURE PTY LTD
 ABN: 73160516594
 last updated: 15-May-2013
 ABN Status: active from 05-Oct-2012
 Entity type:
 Location: VIC 3000

ASIC organisation details

Name: CS AGRICULTURE PTY LTD
 Name start date: 05-Oct-2012
 ABN: 73160516594
 ACN : 160516594
 Registration date: 05-Oct-2012
 Next review date: 05-Oct-2015
 Status: Registered
 Company Type: Australian Proprietary Company
 Class: Limited By Shares
 Subclass: Proprietary Company
 Registered In: VIC
 Document Number: 1E8781300
 Disclosing Entity: No

Registered Office

Current Address: LEVEL 7, 460 COLLINS
 STREET
 MELBOURNE VIC
 3000

from:05-Oct-2012
Doc No: 1E8781300

Principal Place of Business

Current Address: CUBBIE STATION 1410
CUBBIE ROAD
DIRRANBANDI QLD
4486
from:25-Jan-2013
Doc No: 1F0465001

Previous Address(es): LEVEL 7, 460 COLLINS
STREET
MELBOURNE VIC
3000
from:05-Oct-2012
until:24-Jan-2013
Doc No: 1E8781300

Org Structure

Director (8)

	Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Current	LEMPRIERE, WILLIAM DOUGALL 52 MCKINLEY AVENUE MALVERN VIC 3144	05-Oct-2012		21-Dec-1967 in MELBOURNE, VIC	213502561	028380446
	QIU, YAFU BLDG #20 RUYI JIA YUAN, NO. 2 HONGXING EAST ROAD SHIZHONG DISTRICT JINING CITY SHANDONG PROVINCE CHINA	05-Oct-2012		19-Jan-1958 in JINING, SHANDONG, CHINA		028380446
	SUN, WEIYING BLDG #2 RUYI JIA YUAN, NO 2 HONGXING EAST RD SHIZHONG DISTRICT JINING CITY SHANDONG PROVINCE CHINA	05-Oct-2012		09-Aug-1971 in LIAOCHENG, SHANDONG, CHINA		028380446
	FLETCHER, ROGER JAMES 'YARRANDALE', LOT 11 YARRANDALE ROAD DUBBO NSW 2830	31-Jan-2013		21-Oct-1945 in GLEN INNES, NSW	58690891	028368647
	LIU, JERRY 11B, SOUTH TOWER, CHINA WORLD APARTMENTS, NO. 1 JIANGUOMENWAI AVENUE CHAOYANG BEIJING 100004 CHINA	01-Nov-2013		11-Dec-1981 in QING DAO CITY SHANDONG, CHINA	462552583	028663146
	MCKENNA, ANTHONY FULLER 61 EVANSDALE ROAD HAWTHORN VIC 3122	23-Jun-2014		26-Apr-1973 in MELBOURNE, VIC	333139756	7E6149785
Previous	MCKILLOP, JOHN KEVIN 29 THORN STREET BARWON HEADS VIC 3227	27-Feb-2013	23-Jun-2014	12-Jun-1964 in TRANGIE, NSW	32190913	1F0335563
	ZHAI, MENGQIANG	05-Oct-2012	01-Nov-2013	10-Dec-1975		028380446

BLDG #18 RUYI XIAO QU HONGXING
EAST RD SHIZHONG DISTRICT JINING
CITY
SHANDONG PROVINCE
CHINA

in JINING
SHANDONG CHINA

Secretary (1)

Name	Appointed	Ceased	DOB	Veda File Number	ASIC Document
Current LEMPRIERE, WILLIAM DOUGALL 52 MCKINLEY AVENUE MALVERN VIC 3144	05-Oct-2012		21-Dec-1967 in MELBOURNE, VIC	213502561	028380446

Share structure

Class: ORDINARY SHARES
Class Code: ORD
Shares issued: 80,000,010
Paid on shares issued: \$ 80,000,010.00 total
Unpaid on shares issued: \$ 0.00 total
Premium account: \$ 0.00 (balance)
ASIC document: 028368647

Members(2)

Name	Class	Shares	Beneficially Held	Paid	ASIC Document
CSTT CO HOLDINGS PTE. LTD. 21 MERCHANT ROAD #04-01 ROYAL MERUKH, 67 S E A BUILDING SINGAPORE 0582 SINGAPORE	ORDINARY SHARES	64000008	Yes	Yes	028368647
LEMPRIERE PTY LTD LEVEL 7 460 COLLINS STREET MELBOURNE VIC 3000 ABN 51135354666 ACN 135354666	ORDINARY SHARES	16000002	Yes	Yes	028368647

For each class of shares issued by a proprietary company, ASIC records the details of the twenty members of the class (based on shareholdings). The details of any other members holding the same number of shares as the twentieth ranked member will also be recorded by ASIC on the database.

Where available, historical records show that a member has ceased to be ranked amongst the twenty members. This may, but does not necessarily mean, that they have ceased to be a member of the company.

Securities (ASIC)**Definition and Notes**

As of January 30th 2012 ASIC current securities and charges are no longer available from ASIC due to the Personal Properties Securities Act (PPSA).

No Charges Found

ASIC Documents

Document(s)

ASIC Doc No.	Form	Description	Pages	Received	Processed	Effective
7E6149785	484	(E) Change to Company Details Appointment or Cessation of A	2	24-Jun-2014	24-Jun-2014	24-Jun-2014
028663146	484	(E) Change to Company Details Appointment or Cessation of A	4	11-Nov-2013	12-Nov-2013	12-Nov-2013
1F0335563	484	(E) Change to Company Details Appointment or Cessation of A	3	19-Mar-2013	19-Mar-2013	19-Mar-2013
1F0465001	484	(C) Change to Company Details Change of Principal Place Of	3	20-Feb-2013	21-Feb-2013	21-Feb-2013
028368647	484	Change to Company Details (E) Appointment or Cessation of a Company Officeholder (G) Notification of Share Issue (O) Changes to Share Structure (N) Changes to (Members) Share Holdings	12	01-Feb-2013	04-Feb-2013	04-Feb-2013
028380446	902	Supplementary Document	2	19-Dec-2012	20-Dec-2012	05-Oct-2012
1E8781300	201	(C) Application For Registration as a Proprietary Company	3	05-Oct-2012	05-Oct-2012	05-Oct-2012
1E8753824	410	(A) Application For Reservation of a Name of a New Australian	1	26-Sep-2012	26-Sep-2012	26-Sep-2012

© 2008 Veda Information Services and Solutions Ltd. All rights reserved. This report is not financial advice. Veda Advantage Information Services and Solutions Ltd. does not accept liability for acts or omissions of others, including those who provide third party information included in this report.

END OF REPORT

Chapter 4

Transparency and scrutiny of foreign investment

4.1 This chapter examines the scrutiny of foreign investment by the Foreign Investment Review Board (FIRB). It focuses on the FIRB review process, the application of the national interest test, mechanisms of compliance with FIRB decisions and the role of other government agencies.

4.2 The chapter discusses the broad evidence base that the committee has received through hearings and submissions in order to demonstrate the significant concerns that were identified in the FIRB review process. The chapter then details two case studies that were particularly important to this inquiry. The first is the acquisition strategy of Hassad Australia, the wholly owned subsidiary of a foreign government entity based in Qatar. The second case study is the sale of Cubbie Station to a consortium of the Australian based Lempriere Pty Ltd and the private company Shandong RuYi, based in China.

The FIRB review process

Overview of FIRB national interest test

4.3 The FIRB review process takes place when FIRB is notified of foreign investment proposals that are above relevant thresholds. For agricultural land and assets, there are two key thresholds: \$248 million for private foreign investment and \$0 for investment by foreign government entities.¹

4.4 As discussed in chapter two, the legislative scope for the Treasurer to interpret the national interest is broad. In practice, the review process is generally conducted by FIRB case managers based in the Treasury. For major cases however, recommendations are put to the Treasurer by the FIRB board. The board consists of the Chair, three additional part-time members, and one treasury official who is the executive member and general manager of FIRB. The application of the national interest is determined mostly by government policy rather than legislation or regulation.

4.5 The relationship between FIRB and the Treasury was described by the then general manager of FIRB, Mr Frank Di Giorgio, as follows:

Treasury provides secretariat services to FIRB and is responsible for the initial examination of foreign investment proposals received and for preparing recommendations for the Treasurer. FIRB's role, on the other hand, is to advise on the more significant proposals received by Treasury. FIRB is a non-statutory advisory body. It is not a decision-making body and

1 The threshold issue is discussed in chapter five. As noted in chapter two, the thresholds for private foreign investment are covered by the relevant sections of the *Foreign Acquisitions and Takeovers Act 1975* (FATA) and the *Foreign Acquisitions and Takeovers Regulation 1989* (FATR). The zero dollar threshold for 'direct investment' from foreign government entities is largely covered by relevant sections of *Australia's Foreign Investment Policy* (AFIP).

The ACCC does not have any formal role under the Foreign Acquisitions and Takeovers Act. However, it is routinely consulted by the Foreign Investment Review Board on transactions which FIRB considers may potentially raise competition issues for consideration. In responding to these consultations, the ACCC advises FIRB whether or not it considers the proposed transaction is likely to raise competition concerns in breach of section 50 of the *Competition and Consumer Act 2010*. It is understood that FIRB then takes the ACCC's section 50 competition assessment into account as well as other factors as part of its assessment of the national interest test...

Section 50 of the Competition and Consumer Act prohibits mergers or acquisitions that would have the effect or would be likely to have the effect of substantially lessening competition in any market in Australia. In making its assessment, the ACCC is confined to considering the effect on competition in a relevant market in Australia in accordance with the tests provided in the act.⁷

4.9 The ATO outlined its involvement as:

...Of the numerous requests FIRB gets, the business investment proposals, the ones greater than the [\$248] million threshold are the ones that we consider mostly. There is some vetting by FIRB in the first instance. We do not receive all the applications that they receive. If they consider there is a tax implication, they will flick it to us for our consideration. Historically, we have received through this process about 200 to 300 proposals annually for consideration...We do some analysis to determine whether there are tax implications in those investment proposals.

We also have a separate process in relation to real estate transactions of a more general nature. There is some data matching protocols between the agencies in relation to that for our general intelligence purposes. Some of the tax aspects that we would look at would be the attributes of the acquirer, the target, the vendor and the structure proposed.⁸

General views of the FIRB review process

4.10 The committee heard a range of views regarding the effectiveness and desirability of the current FIRB review process. There was some evidence that the flexibility of the current arrangements regarding the FIRB review process were effective and helped facilitate foreign investment. In particular, this evidence drew contrasts with the New Zealand model of the national interest test (discussed in chapter two). For these submitters, the New Zealand model was too restrictive and discouraged foreign investment in general. For example, according to Cargill:

A key feature of Australia's foreign investment laws is that they apply a negative test – an investment proposal can only be rejected if it is found to

7 Ms Rose Webb, Executive General Manager, Mergers and Adjudication Group, Australian Competition and Consumer Commission, *Committee Hansard*, 17 February 2012, p. 47.

8 Mr Michael O'Neill, Assistant Deputy Commissioner, International Branch, Australian Taxation Office, *Committee Hansard*, 17 February 2012, p. 52.

4.14 One of the most common criticisms of the current situation related to the lack of information available about FIRB decisions. This concern was expressed from a wide variety of stakeholders from companies that were otherwise generally supportive of FIRB arrangements, to agricultural industry bodies (discussed below) and individuals interested in the process.¹⁴

4.15 For example, in its submission, the United States based agribusiness Cargill, noted that its experience of the FIRB approval process was somewhat difficult to discern.¹⁵ Cargill noted that the type of information provided by FIRB was usually limited to *ad hoc* sources such as speeches and press releases about difficult cases. The company also expressed concerns about the clearance process, arguing that it was too lengthy and, in some cases, re-examined issues previously considered by the ACCC. Whilst in its submission Cargill did not advocate for the legislative prescription of the national interest test, it does argue that there is a need for greater clarity in the process.¹⁶

4.16 To counter the issue of a lack of transparency the South Australian Farmers Federation (SAFF) called for a codification of the national interest test:

While we [SAFF] believe it is important for the Treasurer to have flexibility to determine at a particular point in time what might the national interest be, we also feel that there needs to be some agreed standard measure of quantification that will enable clearer and consistent boundaries for the interpretation.¹⁷

4.17 Some submitters also considered that the current assessment process did not consider issues that were important to the agriculture sector and rural communities. For example the Western Australia Farmers Federation (WAFF) stated that:

...we seek a change in the current assessment criteria, which would result in the Foreign Investment Review Board being able to consider a greater number of applications by foreign investors into Australian agriculture. This change would allow the National Interests Test to be more broadly applied, and to identify the applicant's likely impact on rural communities, Australia's long term food security and capacity to develop and maintain export markets for agricultural products.¹⁸

4.18 In response to questioning about this matter, FIRB stated that the impact on local communities was a factor considered alongside other national interest

14 For an individual perspective see for example, Wayne Van Balen, *Submission 21*.

15 Note: the term "FIRB approval" is used in this report to indicate that a foreign investment proposal has been reviewed by FIRB, recommended to and accepted by the Treasurer. It should not be read as FIRB having the ultimate decision-making power which rests with the Treasurer.

16 Cargill, *Submission 9*, pp 4–6.

17 SAFF, *Submission 11*, p. 7.

18 Western Australia Farmers Federation, *Submission 7*, p. 2.

Mr Wilson: Divestment.

CHAIR: Has it ever been used?

Mr Wilson: Not to my knowledge, but we can only deal with the act as it is. It is up to the legislature to determine what the act should be.

CHAIR: I understand that. We look forward to making some recommendations on updating it.

Mr Wilson: In other areas in which I have been involved, we have looked hard at proportionality of penalties—so, waterfall penalties according to the frequency and severity of the poor behaviour. The problem with a single, nuclear option is that the button is not often pushed.²²

4.22 The evidence received by the committee indicates that ensuring compliance with undertakings and conditions after foreign acquisitions had been made could also be problematic:

Senator XENOPHON: ...are there requirements in the way you attach the various conditions to it [a foreign acquisition]—say, if five years down the track they say, 'Sorry; we can't do it'? ...

Mr Phillips: There was one [case] in particular. I will not mention what it was, but it was a very long time ago. There were a couple of others who worked very hard to try not to do it. I have to say that in recent years we have managed to deal with all those companies that have not toed the line. They give an undertaking that there will always be a majority of Australian independent directors, and you suddenly find that the list of directors does not look that way. So you have to go to them. So far they have always toed the line and changed the system. Where they have undertaken to maintain their head office and the bulk of their business, that is happening.

I agree with you that relying on the act [FATA] after a passage of time is very difficult, because it is very hard to unpick the thing after it has all been put together, and it is very difficult for the Treasurer to order divestment. It is not difficult in real estate, but it is very difficult in the case of multiple businesses.²³

4.23 Although the FATA has certain penalties that can be imposed, FIRB is more constrained in relation to ensuring compliance with government policy under the AFIP. The difference between the FATA and the AFIP was explained in reference to the Cubbie Station case by the FIRB Chair, Mr Brian Wilson:

Can we just be clear: there are two aspects here. If we are talking about Cubbie, that is not sovereign. It is under the act and there are specific penalties. If we are talking about the policy, which obviously does not have a legislative basis, I think it is true that there is no explicit legislative penalty.²⁴

22 Mr Brian Wilson, Chair, FIRB, *Committee Hansard*, 21 March 2013, p. 12.

23 Mr John Phillips, Chair (former), FIRB, *Committee Hansard*, 9 February 2012, pp 25–26.

24 Mr Brian Wilson, Chair, FIRB, *Committee Hansard*, 11 October 2012, p. 4.

both Australian and foreign, do attempt to operate their affairs in the most effective and efficient manner.²⁶

4.26 Ultimately, as mentioned above, FIRB stated that the Treasurer did have power to order divestiture if undertakings were not met. This has occurred for real estate investments of a number of occasions.²⁷ However, divestiture and prosecutions were far from common as FIRB told the committee in a response to a question on notice:

For the 2010-11 financial year there were no prosecutions initiated for failing to obtain foreign investment approval or for failing to comply with approval conditions. There were also no divestment orders were issued.²⁸

4.27 There were also no divestiture orders made at all by FIRB in 2011/12.²⁹

Case studies

Hassad Australia case study

4.28 The committee heard evidence from Hassad Australia at its public hearings on 16 November 2011 and 9 April 2013. Hassad Australia is an Australian company with a single shareholder which is the Qatari government-owned Hassad Food based in Qatar. Hassad Australia was established in 2009 and has its headquarters in Sydney.³⁰

4.29 As Hassad Australia is directly owned by a foreign government entity, its appearance before the committee provided a case study of FIRB's review process for foreign government entities investing in Australian agriculture. Furthermore, because Hassad Australia was open about its role in the Qatari government's strategy to improve Qatar's long term food security, it is a case that directly represents a number of the key terms of reference of the inquiry.

4.30 Hassad Australia described the role of food security for its business as follows:

...the initial plan that the Qatari government put in place under the banner of the Hassad Food company, their initial investment was driven by food security and, obviously, the mid-2000 issues of food shortages in those areas. But when they put the plan together—and I have to advise that most of the key advisers within their company are actually Australian—they realised that it would not be successful if it did not have a commercial

26 Mr Brian Wilson, Chair, and Ms Sam Reinhardt, General Manager, Foreign Investment and Trade Policy Division, Treasury and Executive Member, Foreign Investment Review Board *Committee Hansard*, 16 August 2012, p 15.

27 Mr Brian Wilson, Chair, Foreign Investment Review Board, *Committee Hansard*, 11 October 2012, p. 3.

28 FIRB, answer to question on notice, 9 February 2012, (answered 16 August 2012).

29 FIRB, *Foreign Investment Review Board Annual Report 2011-12*, p. 10

30 Mr Tom McKeon, Chief Executive Officer, Hassad Australia Pty Ltd, *Committee Hansard*, 16 November 2011, p. 38.

protracted process with FIRB because we did not know what they wanted in the application. They kept on coming back with questions, so the process was protracted. Probably six months ago we learnt our lesson. We went and put our whole plan in front of FIRB and said, 'Here's the plan.' We gave them the details and they understand it now. If we put an application in, they measure it against the plan and it is a pretty seamless process. Prior to that there were a lot of questions. If I could make one comment there, a lot of the questions coming back were not structured questions; they were questions relating to public perceptions coming back through the ministers to FIRB.³⁵

4.34 However, Hassad Australia indicated that there was little discussion about compliance mechanisms if it was to significantly change its business practices as reviewed by FIRB:

Senator NASH: Were you required to give an undertaking that you would maintain the practices as you had set out in your submission?

Mr Corbett: There is no formal undertaking in that regard, but one of the things from our perspective is that we have no problems in coming back and letting them know that we are doing that...

...

Senator EDWARDS: ...Suppose that in five years time they come back to you and say, 'We want to do an audit,' and you have not done what you [said you would] have done—in fact your shareholding has changed or whatever and you are no longer growing sheep, fat lambs and all those things; you are actually just land-banking and not employing anybody anymore. Just say hypothetically. Did they say at any stage during that whole process that they would do that and that they reserved the right to unwind your business practices?

Mr Corbett: Not at any stage.³⁶

4.35 At the committee's hearing on 9 April 2013 it received an update from Hassad Australia about its operations. Since the first appearance in November 2011, Hassad Australia had purchased an additional 80 000 hectares of farmland (including 40 000 hectares in western Victoria and 'partly' South Australia, and 30 000 hectares in Western Australia) to give it total holdings of about 250 000 hectares. Hassad Australia stated all its purchases were reviewed by FIRB.³⁷

35 Mr Tom McKeon, Chief Executive Officer, and Mr John Corbett, Director, Hassad Australia Pty Ltd, *Committee Hansard*, 16 November 2011, pp 46–47.

36 Mr John Corbett, Director, Hassad Australia Pty Ltd, *Committee Hansard*, 16 November 2011, p. 42.

37 Mr Tom McKeon, Chief Executive Officer, Hassad Australia Pty Ltd, *Committee Hansard*, 9 April 2013, p. 44.

Mr McKeon: Basically none at all, because the heads of agreement is a non-binding agreement. It is actually stated on it that it is a non-binding agreement. But in all our dealings Australia wide we have only ever had that happen once.

CHAIR: But are you prepared to put it on the record that, sure, you sign them up to a confidentiality agreement, but if they want to breach the confidentiality agreement there is no penalty? You do not say, 'Well, we're not going to buy the property from you'? Or, if someone else comes along and offers them \$500 an acre more, they are free to sell?

Mr McKeon: Again, I would have to take that one on notice, but the basic principle is that, if there is no maliciousness in the intent of the person in breaking that confidentiality agreement, there is really no recourse for the person—

CHAIR: That is fair enough.

Mr McKeon: they had the agreement with to seek a penalty for it. But, if there is maliciousness and it does cause damage, obviously there may be some recourse.⁴¹

4.39 Hassad Australia further clarified its approach regarding enforcement of confidentiality agreements in an answer to question on notice, stating that:

...if the confidentiality clause was breached, HA [Hassad Australia] would weigh the quantum of the loss suffered by HA as a result of the breach of confidentiality and make a commercial decision as to whether there would be any merit in enforcing its contractual rights against the vendor.⁴²

Cubbie Station case study

4.40 Lempriere Pty Ltd appeared before the committee on 24 October 2012 to discuss its involvement in the purchase of Cubbie Station. Lempriere Pty Ltd is a wool trading company established in Australia in 1857. It also has a 'variety of different agricultural farming interests' in Australia and New Zealand.⁴³

4.41 In mid-2012, Lempriere Pty Ltd joined with a private Chinese company, Shandong RuYi, to form a private Australian company to purchase the large Queensland cotton producing farm, Cubbie Station. At the point of purchase, Lempriere Pty Ltd held a 20 per cent stake in the company and Shandong RuYi held the remaining 80 per cent.⁴⁴

41 Mr Tom McKeon, Chief Executive Officer, Hassad Australia Pty Ltd, *Committee Hansard*, 9 April 2013, pp 46–47.

42 Hassad Australia, answer to question on notice, 9 April 2013, (received 9 May 2013).

43 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, p. 1.

44 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, pp 1–2. Note: the Japanese company Itochu has a 30 per cent shareholding in Shandong RuYi.

cases where people have not honoured their obligations and forced divestment has been made.⁴⁸

4.47 Evidence received from Lempriere Pty Ltd confirmed the undertaking for Shandong RuYi to sell down. However, it was also noted that FIRB had not placed restrictions on the vendor (i.e. Shandong RuYi) financing bids from third parties for the 29 per cent stake required to be sold.⁴⁹ Despite this, the committee was given evidence that the parties that already had shown interest in potentially purchasing some or all of the 29 per cent stake are, according to Mr Lempriere, 'independent, and certainly do not need any vendor finance.'⁵⁰

4.48 A second area of concern for the committee was the extent to which Shandong RuYi and Lempriere Pty Ltd were to manage Cubbie Station on a commercial basis. The committee was re-assured by Mr Lempriere that this would be the case:

Under the structure that we have agreed with the Treasurer the independent manager has full responsibility and freedom and independence to manage the property as it sees fit and, in addition to that, to be responsible for the sale and potentially local processing of the product. So I think it is relevant to say that we have every incentive to maximise the profitability of this business within Australia and every intention—and we have, as I said, the independence to ensure that this occurs—of making sure, if it is a profitable enterprise, as we hope it will be, that it will be paying tax in Australia.⁵¹

4.49 The commercial nature of the transaction was reaffirmed in Mr Lempriere's response to a question about how Shandong RuYi would be able to obtain product from Cubbie Station:

We have an undertaking that, if they [Shandong RuYi] are willing to pay more than anyone else, we will sell it to them. But that has to be demonstrated. Certainly I personally have no interest in selling it to them for anything less than full price.⁵²

4.50 Finally, the basis for the commercial management of Cubbie Station stemmed from an agreement of independent management between Lempriere Pty Ltd and Shandong RuYi. This agreement was still in draft form at the time of the public hearing on 24 October 2012. However, Mr Lempriere described it as a 'binding

48 Mr Brian Wilson, Chair, Foreign Investment Review Board, *Committee Hansard*, 11 October 2012, p. 3.

49 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, pp 2 and 12.

50 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, p. 12.

51 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, p. 2.

52 Mr William Lempriere, Managing Director, Lempriere Pty Ltd, *Committee Hansard*, 24 October 2012, p. 3.

4.56 Furthermore, the scope of FIRB's compliance powers appears to the committee to be out-dated given the evidence that food security is a strong motive for Hassad Australia's operations. Indeed, Hassad Australia's evidence indicated strongly that its goodwill was essential to it operating in a manner consistent with the undertakings it had made to FIRB. The committee, however, was not presented with any evidence that in the absence of such goodwill, the FIRB undertakings – and hence the national interest – would not be undermined.

4.57 Although the committee has some concerns about the role of food security in Hassad Australia's long-term strategy for investment in Australian agriculture, the committee acknowledges the evidence provided by Hassad Australia that it will operate on a commercial basis.

4.58 The Hassad Australia case demonstrates that FIRB makes initial questions and investigations about a proposal. The committee notes that FIRB's process does not follow a standard pattern. It appears that in Hassad Australia's case it was only because the proponent proactively pursued the matter that there was any ongoing certainty about the process.

4.59 Furthermore, the clear absence of effective compliance arrangements for the years following FIRB approval shows the potential for foreign investors to act in ways that are contrary to the national interest. The committee believes, therefore, that continued oversight of the operations of foreign investors after approval is necessary.

4.60 The committee is reassured by the openness of Hassad Australia both with FIRB and with the committee. However, in the way that Hassad Australia described the process, the committee reaffirmed its view that the FIRB review process relies as much on the goodwill of prospective foreign investors as it does on the scrutiny of FIRB.

4.61 Finally, the committee was reassured by Hassad Australia's clarification that it does not pay above market prices for its purchases of agricultural land. The committee is hopeful that this will remain Hassad Australia's practice into the future. In this respect, the committee's preference is for openness and transparency wherever possible.

4.62 The committee recognises that the sale of Cubbie Station to the joint bidders Shandong RuYi and Lempriere Pty Ltd, has caused a significant and somewhat justified angst in the community. The committee chooses not express a view about whether or not the particular case should have been approved by FIRB. Nevertheless, the committee is of the view that the Cubbie Station sale is an illustrative example of how the FIRB process often causes unnecessary public doubt about whether the national interest is being upheld.

4.63 In addition, the committee has expressed general concerns in its inquiry into the management of the Murray-Darling Basin about the value for money the buyback program has offered Australia's taxpayers.⁵⁶ The committee notes that Cubbie Station

56 Senate Rural and Regional Affairs and Transport References Committee, *Management of the Murray-Darling Basin*, March 2013, pp 79–95.

Recommendation 19

4.67 This recommendation relates to water entitlement buybacks conducted under the government's *Restoring the Balance Program* and the *Sustainable Rural Water Use and Infrastructure Program* as part of the water recovery process under the Murray-Darling Basin Plan. The committee recommends that any such water buybacks that are from companies that have had acquisitions subject to FIRB review (including Cubbie Station) should be forwarded to the Australian National Audit Office (ANAO) for review. The ANAO should publicly report on whether water buybacks in such cases represent value-for-money for Australian taxpayers. The committee accepts that any review by the ANAO would occur after a water buyback has occurred.

**WAYNE SWAN**

Deputy Prime Minister and Treasurer
3 December 2007 - 27 June 2013

FOREIGN INVESTMENT DECISION**31 August 2012**

I have approved the joint proposal by Shandong RuYi Scientific & Technological Group Co. Ltd and Lempriere Pty Ltd (collectively, the Consortium) to acquire the assets of Cubbie Group Limited, subject to a number of important undertakings I have sought and obtained from the Consortium in relation to employment, ownership, board composition, management and water use.

Critically, RuYi has undertaken to sell down its interest to no more than 51 per cent within three years.

Following significant financial difficulties, Cubbie Group was placed into voluntary administration three years ago. Since then, a number of attempts have been made to find a buyer for the company. If the Consortium is the successful bidder in the sale process being conducted by Cubbie Group's administrator, the proposal would bring an end to this long period of uncertainty, helping ensure the ongoing operation of Cubbie Group, protecting jobs and supporting economic activity in the Dirranbandi and St George regions.

RuYi is a textile manufacturer owned by a consortium of investors based in both China and Japan.

Lempriere is part of an Australian family-owned group of companies, with a long history and extensive experience in wool trading and in managing agricultural properties across Australia. Consistent with the undertakings, Lempriere will be responsible for operating and managing Cubbie Group, including the marketing and sale of its cotton production in conjunction with the existing management team. All cotton will be sold on arms-length terms in line with international benchmarks and standard market practices.

Initially the Consortium will be owned 80 per cent by RuYi and 20 per cent by Lempriere. However it is not RuYi's long term intention to retain an 80 per cent interest in Cubbie Group.

As part of the proposal, RuYi has therefore undertaken to:

- Sell down its interest in the Cubbie Group from 80 per cent to 51 per cent to an independent third party (or parties) within three years of completing the proposed acquisition, and investigate the possibility of publicly listing Cubbie Group in order to achieve this sell down.
- Ensure that its board representation remains no more than proportionate to its shareholding following the sell down.

The Consortium has also undertaken to:

- make offers of employment to all existing employees of Cubbie Group and maintain the existing arrangements including entitlements of those employees;
- have Cubbie Group managed and operated by a wholly-owned subsidiary of Lempriere, including the marketing and sale of its cotton production on arms-length terms in line with international benchmarks and standard market practices;
- establish and maintain a Board that consists of six members and includes two independent directors who are Australian residents with relevant commercial and/ or agricultural experience and one director appointed by Lempriere;
- comply with all relevant State and Commonwealth rules and regulations, including those in relation to water management in the Condamine-Balonne river system;
- investigate ways to improve the efficiency of water usage across Cubbie Group's properties, including as part of its crop production; and

- sell any surplus water allocations through the water market, which may include offering water entitlements for sale to the Commonwealth through a competitive tender process.

The proposed acquisition of Cubbie Group will not impact on water management arrangements as Cubbie Group will remain subject to State and Commonwealth rules and regulations. If the proposal proceeds, the Consortium will be able to actively participate in water markets to sell water access rights that are surplus to business requirements.

Water access rights within the Condamine-Balonne catchment area are managed by the Queensland Government under its Water Resource Plans and Resource Operation Plans. Cubbie Group will be required by Queensland authorities to comply with allocation levels and other conditions stipulated by these plans.

The outcome of the Consortium's proposal is dependent on the administrator's decision following commercial negotiations. In the event the Consortium is successful in acquiring Cubbie Group it will report to the Foreign Investment Review Board every 12 months on its progress on meeting its undertakings.

The Government welcomes foreign investment in Australia and continues to ensure that investments are consistent with Australia's national interest.

BRISBANE