



Australia China Holdings Limited

ARBN 067 993 506

28 Bangalla Road, Rose Bay, NSW 2029, Australia

Email: sec@aakch.com

24 February 2017

Ms. Isabella Wong
Senior Advisor
Listing Compliance (Sydney)
ASX Compliance Pty Limited

By e-mail

Dear Isabella,

We refer to your letter dated 13 February 2017, our response is as follows:

Pursuant to Listing Rule 18.7, ASX requires the Company to answer the following questions and requests for information in a format suitable for release to the market:

1. In the Company's response dated 25 January 2017, you provided to ASX a copy of an agreement (the "Updated Agreement") with an English translation entered into on 27 January 2010 between the Company's 100% owned subsidiary, Australia China Land Holdings Limited, and Inner Mongolia Kudouzi Investment Company Limited (the "Counterparty") for the rights to land located in Inner Mongolia ("Farm Land"). The Updated Agreement includes the following note:

"This contract was firstly signed by Sino Dragon International Limited ("SDI", then 100% subsidiary of the Company) and Party A on 28 March 2007, as SDI was disposed of on 25 June 2009 and all assets were then taken up by Australia China Land Holdings Limited (Party B, another 100% subsidiary of the Company). Party A and Party B later on re-entered into the above contract with updated information to record the transaction."

Please advise:

1.1 What was the "updated information" referred to in this note?

1.1 The "updated information" was firstly to confirm the change in the transferee (Party B) from Sino Dragon International limited to Australia China Land holdings Limited. And secondly to confirm the various deposit payments made for the land acquisition.

1.2 Was the "updated information" something a reasonable person would expect to have a material effect on the price or value of the Company's securities?

1.2 The Company would have been of the opinion at the time that this was something that a reasonable person would not have expected to have any material effect on the price or value of the Company's securities.



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1.3 If the answer to question 1.2 is “yes”, why did the Company not announce that information immediately upon becoming aware of it?

1.3 N/A

2. ASX notes the Company’s announcement released on the ASX Market Announcements Platform on 30 May 2007 and updated on 31 May 2007 announcing for the first time that it had “secured the rights” to the Farm Land.

Please explain:

2.1 Why did the Company not make an announcement under Listing Rule 3.1 that its then 100% owned subsidiary, Sino Dragon International Limited (“SDIL”), had entered into the agreement (the “Original Agreement”) with the Counterparty for the rights to the Farm Land on or immediately after the date on which the agreement was (according to the note referenced above) entered into on 28 March 2007?

2.1 At the time of signing the Land Transfer Contract, under section 5.2 of the document, the consideration for the land acquisition was to be based on the value of the land being evaluated by an independent Hong Kong registered professional appraiser and found agreeable to both parties. The Company may have been of the opinion at the time, that all the conditions of the agreement had not been satisfied and that the matter may not proceed, and as the matter was commercial in confidence it would not announce it until the valuation had been completed and agreed by both parties.

2.2 Why did the Company not include in its announcement on 30 May 2007 the material terms of the Original Agreement?

2.2 The Company considered at the time that the announcement contained the information that it considered appropriate in respect to the project.

3. Please provide a copy of the Original Agreement and, if it is in Chinese, a translation into English.

3. Attached 1 and attached 2

4. In section 1.5 of the Company’s response dated 25 January 2017, it is noted that a total of 455,900,000 ordinary shares in the Company were issued to Asia Asset Limited, Mr. Liu Jin Hu and Golden Tiger Investors Limited as part consideration for the Company's acquisition of the rights to the Farm Land. Please explain who these parties are, what their connection is with the Counterparty and why these shares were issued to these parties and not to the Counterparty.



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4. The Counterparty acknowledged these payments in the Agreement dated 27 January 2010. The Company has currently been unable to locate any instructions or directions to make these payments. Other than Mr. Liu Jin Hu, who was the legal representative for the Counterparty, the Company is unaware of any connection between the other parties and the Counterparty.
5. In the Company's response dated 25 January 2017, you provided a copy of a valuation report dated 27 May 2007 prepared by Asset Appraisal Limited valuing the Farm Land at RMB480,000,000. The valuation report states that it was prepared "for internal reference purposes". ASX notes that the valuation report only includes two comparable sales, both of which were completed at substantially lower prices per hectare than the price per hectare the Company had agreed to pay for the Farmland. Asset Appraisal Limited purported to "counter-check" their valuation by reference to a discounted cash flow ("DCF") analysis representing the future economic benefits to be derived by the Company from farming the Farm Land and using inputs provided by the Company. The results of the DCF analysis, however, were not included in the valuation report. Please explain for what purpose the Company obtained this valuation report, given that (according to the note referenced above) the Company had already entered into the Original Agreement on 28 March 2007.
5. As discussed in question 2.1, the purpose of obtaining this report was to confirm the agreed acquisition price as required in the Land Transfer Contract, for the matter to proceed.
6. In the Company's response dated 25 January 2017, you provided a copy of a further valuation report dated 22 May 2008 prepared by Asset Appraisal Limited valuing the Farm Land at RMB500,000,000. It appears to be the valuation referred to by the Company in note 8 of its financial statements for the year ended 31 March 2008 and in its subsequent financial statements for the years ended 31 March 2009, 2010 and 2011. The valuation report states that the market value "is our preliminary estimate for indication purpose only and is subject to our formal valuation report to be issued to the Company." The valuation report is essentially a one page report, attaching a further page with a map showing the location of the land and an explanation of limiting conditions and the basis of valuation, one page of photos and two pages of copies of what appear to be legal documents relating to title. It does not reference the earlier valuation report provided by Asset Appraisal Limited on 27 May 2007.

In this regard:

- 6.1 Was the Company issued a formal valuation report by Asset Appraisal Limited?
- 6.1 No.



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6.2 If the answer to question 6.1 is “yes”, please provide a copy of the formal valuation report.

6.2 N/A.

6.3 If the answer to question 6.1 is “no”, please explain the basis on which the Board thought it appropriate to include the preliminary estimate in the financial statements of the Company for the years ended 31 March 2008, 2009, 2010 and 2011 despite not having received the formal valuation report.

6.3 Given that the preliminary valuation report of 22 May 2008, confirmed that the value of the land had remained steady, the Company may have decided then, that a formal valuation was not required. It may have felt that that the land value was consistent through those years.

6.4 Has the Company received a valuation report of the Farm Land since the Asset Appraisal Limited report prepared on 22 May 2008? If so, please provide a copy of the report. If not, please provide the directors’ estimate of what they consider the Farm Land to be worth today.

6.4 No, based on the projected use of the land for Bio-fuel projects the Company estimates that the current value of the land is approximately A\$35m.

7. ASX notes the statement in section 4 of the Company’s response dated 25 January 2017 that it was notified in “early December 2016” by Blesswin Investments Limited that the Counterparty considered the Updated Agreement had not been fulfilled due to a shortfall of \$7,858,375 payable by the Company. Please explain why the Company did not make an announcement under Listing Rule 3.1 immediately upon becoming aware of this information.

7. The Company was advised verbally of the opinion of the Counterparty of the shortfall in early December 2016. The Company was undertaking an investigation of the claims. However, on 22 December the Company received a letter from ASX requesting information in respect to the land. At the same time as responding to that letter the Company investigations confirmed that there was a shortfall. The Company was aware that ASX intended to publish the information in the response.

8. Since the Company’s response dated 25 January 2017, has the Board decided how to proceed in settling the shortfall dispute? If so, what has been resolved? If not, why not?

8. Since the response of 25 January the Board is to consider that it will not pay any of



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the shortfall. It is also considering that it will appoint Blesswin, under a power of attorney, to finalise negotiations on behalf of the Company to resolve the matter. If it cannot either obtain the original parcel of land, for the amount paid or a substitute piece of land which will be owned outright, or a refund the Company will proceed with legal action. These actions are proceeding at the current moment.

9. Have there been any other material developments in relation to the dispute concerning the Farm Land since the Company's response dated 25 January 2017?

9. No however, this matter had been delayed due to the Chinese New Year holidays, which commenced late January 2017, and only finished mid-February 2017.

10. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

10. Yes. The Company is committed to make full disclosure of all significant events on a timely basis.

11. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the

11. Yes.

Yours faithfully,

For and on behalf of

Australia China Holdings Limited

Stonely Sek

Company Secretary

Land Use Transfer Contract

Parties hereto:-

Transferor (Party A) : Inner Mongolia Kudouzi Investment Company Limited

Contact Address: Jin Chun Economy Technology Development Zone, Huhhot, China (Incorporated in mainland China, Business license No.: 501002003282(4-1))

Transferee (Party B) : Sino Dragon International Limited

(Incorporated in Hong Kong, Business license No.:1099773)

Contact Address: 6th Floor, The Chinese Club Building, 21 Connaught Road Central, Hong Kong

General Rules

According to the national and local laws and regulations of People's Republic of China, the parties conclude this contract on the principle of equality, voluntariness and compensation.

Article 1 Party A holds the land use right of 32,000mu of land in Wulan Village, Wulan Township, Dalat Banner, Baotou City, Inner Mongolia, China (hereinafter referred to as the Land). Party A certifies that there is sufficient water source nearby the collective land which is suitable for planting. Moreover, the land is free of mortgage or dispute, so it can be transferred to Party B.

Article 2 Party A hereby confirms that the effective land use right period of the Land expires on December 31, 2049. The approved purpose of the land is to plant sophora alopecuroides. Party A shall guarantee the land can also be used to plant other accepted crops.

Article 3 Party A agrees to transfer the collective land use right certificate to Party B or its appointed company at RMB Four Hundred Million Yuan. The collective land use certificate No. is Yuan Ji Yong (2000) Zi No. 00001 (See Attachment 1).

Article 4 Transfer funds of land use right

4.1 The Land to be transferred to Party B is located at Wulan Township, Dalad Banner, Baotou City, Inner Mongolia, China, 32,000 mu in total (See Attachment 1). After Party A transfers the right to use rural land, Party A shall guarantee Party B is entitled to obtain right to use the land and any benefits from the collective land.

4.2 The current price of right to use the land is RMB 15,000 Yuan per mu, while Party A agrees to transfer the right to use the land at the price of 12,500 Yuan per mu. It is the preferential price and includes any expenses. Party A will pay land use expense and land VAT at transferring, relevant taxes imposed by the state and any other associated collective land expenses. Party A has employed an Independent Hong Kong registered professional appraiser to evaluate the market price of the collective land. If the evaluated price is lower than RMB 15,000 Yuan/mu, Party A promises to transfer the right to use the land at the price of 85% of the evaluated price by Hong Kong registered professional appraiser.

4.3 Total area of collective land transferred to Party A is 32,000 mu, so transferring

payment includes right to use rural land expense and any other expenses, RMB Four Hundred Million Yuan only (RMB 400,000,000) in total. If there is difference in the transferred area, it shall be calculated as per the actual area.

Article 5 Payment and arrangement for transfer of land use certificate

After Party A and Party B sign the Transfer Contract,

- 5.1 Party B shall make the initial transfer payment of RMB One Hundred and Fifty Million Yuan only (RMB 150,000,000 Yuan) within 14 days.
- 5.2 Party B shall make the second transfer payment of RMB Twelve Million Six Hundred Thousand Yuan only (RMB 12,600,000 Yuan) before October 30, 2007.
- 5.3 After Party A receives the second payment paid by Party B, Party A shall apply for registration change of right to use rural land within 120 days according to provisions so that Party B or its subsidiary will be registered as the owner of the right to use the collective land.
- 5.4 After Party B obtains new Rural Land Use Certificate of People's Republic of China, namely rural land use right of 32,000 mu, Party B shall make the third payment to Party A within six months, namely the balance of RMB Two Hundred and Thirty-Seven Million Four Hundred Thousand Yuan only (RMB 237,400,000 Yuan).

Article 6 Party A guarantees that the transfer of right to use rural land has been approved by relevant authorities. The land is free of ownership issue, environment issue or tax default. The land is not taken back by government or other organizations. Party B will not bear any credit and debt in connection to land building left by Party A. If there are any issues or debt, they shall be fully borne by Party A.

Article 7 If Party A fails to transfer the land use right to Party B or the name of the company appointed by Party B before June 30, 2008, Party A agrees to return the transferring payment paid by Party A in full within 60 days or return the payment in a manner agreed by Party B.

Article 8 If either party causes delay or the failure to perform the responsibilities under the contract due to force majeure (not self cause), the Party should take all necessary remedy measures to reduce the losses. The party should serve written notice to the other party within 48 hours after the occurrence of the event, and submit the report about the failure to perform completely or partially and the reason to delay the performance within 7 days after the occurrence.

Article 9 If Party B delays in taking delivery of the right to use land owing to the fault of Party A, Party A shall compensate Party B 1% of transferring payment as liquidated damages.

Article 10 The conclusion, validity, interpretation, performance and settlement of disputes in this contract shall be governed and protected by the laws of the People's Republic of China.

Article 11 The agreement is applicable to the laws of the People's Republic of China. All disputes occurred from the contract performance or related to the agreement shall be settled by both parties upon friendly negotiation. Failing which, the case shall be submitted to China International Economic and Trade Arbitration Commission Shenzhen Branch for arbitration according to the arbitration procedures. The adjudication should be final and binding on either party.

Article 12 The original of contract is made in quadruplicate and Party A and Party B hold two copies respectively with equal legal effect.

Article 13 There are four pages of this Contract. The Chinese version shall prevail.

Article 14 The contract was signed in Shenzhen, the People's Republic of China on March 29 2007.

Article 15 Any outstanding matter in the contract may be agreed by both parties as contract appendix. The appendix will have equal legal effect as the contract.

Transferor (Party A) : Inner Mongolia Kudouzi Investment Company Limited

Legal Representative (the entrusted agent): Mr. Liu

Transferee (Party B) : Sino Dragon International Limited

Legal Representative (the entrusted agent):

Ref: Land Use Transfer Contract (s2.6.8)

土地承包經營權轉讓合同

本合同雙方當事人

轉讓方：內蒙古苦豆籽投資有限公司（下稱“甲方”）

聯絡地址：中國呼和浩特等經濟技術開發金川區如意區
（中國成立註冊公司，營業執照編號 1501002003282(4-1)）

承讓方：龍鷹國際有限公司（下稱“乙方”）

Sino Dragon International Limited

（香港成立註冊公司，公司編號 1099773）

聯絡地址：香港干諾道中 21 號華商會所大廈 6 樓

總 則

根據中華人民共和國國家及地方有關法律、法規，雙方本著平等、自願、有償的原則，訂立本合同。

第一條 甲方持有中國蒙古包頭市達拉特旗烏蘭鄉烏蘭村合共三萬二千畝地之集體土地使用權（簡稱“集體土地”），甲方證實此集體土地水源充足，適合種植，沒有抵押，沒有爭議及可以轉讓予乙方

第二條 甲方證實此集體土地之有效承包經營權之年限至 2049 年 12 月 31 日。現時之有效土地承包經營權之土地批准為種植苦豆子。甲方保證此土地也可種植其他認可之農作物。

第三條 甲方同意以人民幣四億元將集體土地使用權證轉名給乙方或其指定公司。乙方轉讓之集體土地使用證編號為：達集用(2000)字第 00001 號（見附件一）。

第四條 承包經營權轉讓金

1. 轉讓給乙方之土地是位於中國蒙古包頭市達拉特旗烏蘭鄉合共三萬二千畝地(見附件一), 甲方轉讓給乙方後, 甲方保證乙方能取得承包經營權及一切在集體土地之一切利益。
2. 每畝地承包經營權現市值價為人民幣一萬五千元, 甲方同意以每畝人民幣一萬二千五百元轉讓給乙方, 此為優惠價, 並已含一切費用, 並且甲方會支付土地使用金、轉讓時的土地增值稅以及國家有關土地的稅費及任何有關此集體土地費用。 甲方已聘請獨立香港註冊專業評估師評估此集體土地之市值, 如評估價低於每畝人民幣一萬五千元, 則甲方同意以香港註冊專業評估師之評估價 85%計算。
3. 轉讓給甲方之集體土地總面積為三萬二千畝, 故轉讓價含農村土地承包經營權轉讓金及一切費用合共為人民幣四億元(RMB400,000,000), 如轉讓面積有差別, 則以實際面積計算。

第五條 付款及土地使用證轉讓安排

1. 甲乙雙方在簽署此轉讓合同後:
 - 1.1 在 14 天內支付首期轉讓金人民幣一億伍仟萬元正(RMB150,000,000)。
 - 1.2 在 2007 年 10 月 30 日前支付第二期轉讓金人民幣一仟二百六十萬元正(RMB12,600,000)。
 - 1.3 甲方在收到乙方交付第二期轉讓金後, 120 天內依照規定成申請辦理農村土地承包經營權變更及使乙方或其子公司成功登記為此集體土地承包權之擁有者。

- 1.4 在乙方取得新《中華人民共和國農村土地承包經營權證》，即共三萬二千畝農村土地承包經營權六個月內支付給甲方第三期款，即餘款人民幣二億三千七百四十萬元正（RMB237,400,000）。

第六條 甲方保證轉讓農村土地承包經營權已經政府有關部門批准，沒有任何產權問題、環保問題、沒有被政府或其他單位收回所有相關土地、沒有任何拖欠稅費等，乙方不會承擔甲方或土地建築物遺下的任何債權、債務。如有問題及欠款，全部由甲方負責。

第七條 甲方如未能成功在 2008 年 6 月 30 日前將土地承包經營權轉名至乙方或乙方指定公司名下，甲方同意在 60 天內將乙方已付之轉讓金全數退回給乙方，或經乙方同意用其他方式支付。

第八條 任何一方對於因發生不可抗力且自身無過錯造成延誤或不能履行合同義務不負責任，但必須採取一切必要的補救措施以減少造成的損失。遇有不可抗力的一方，應在四十八小時內將事件的情況以書面形式通知另一方，並在事件發生後七日內，向另一方提交合同不能履行或部份不能履行以及需要延期履行理由的報告。

第九條 如果由於甲方的過失致使乙方延期接收土地經營權，甲方應賠償乙方已付轉讓金 1% 的違約金。

第十條 本合同訂立，效力，解釋，履行及爭議的解決均受中華人民共和國法律的保護和管轄。

第十一條 本協議適用中華人民共和國的法律，凡因履行本協議所發生的或與本協議有關的一切爭議雙方應當通過有好協商解決。如果協商不能解決，應提交中國國際經濟貿易仲裁委員會深圳分會根據該會的仲裁程序及規則進行仲裁。裁決具有終局效力，對各方均有約束力。

第十二條 本合同正本一式四份，甲乙雙方各執兩份。四份合同均具有同等法律效力。

第十三條 本合同共四頁，以中文書寫為準。

第十四條 本合同於二零零七年三月二十九日在中華人民共和國深圳市簽訂。

第十五條 本合同未盡事宜，可由雙方約定後作為合同附件，與本合同具有同等法律效力。

轉讓方：

內蒙古苦豆籽投資有限公司



法定代表人(委托代理人)

承讓方：

龍鷹國際有限公司



法定代表人(委托代理人)

Ref: 土地承包經營轉讓合同(s2.6.8)

Inner Mongolia Land Use Right Transfer Contract

Parties hereto:-

Transferor (Party A) : Inner Mongolia Kudouzi Investment Company Limited

Contact Address: Jin Chun Economy Technology Development Zone, Huhhot, China
(Incorporated in mainland China, Business license No.: 501002003282(4-1))

Transferee (Party B) : Suntech Environmental Group Limited

(Australian listed company, ARBN 067 993506)

Contact Address: 6th Floor, The Chinese Club Building, 21 Connaught Road Central, Hong Kong

General Rules

According to the national and local laws and regulations of People's Republic of China, the parties conclude this contract on the principle of equality, voluntariness and compensation.

Article 1 Party A holds the land use right of 32,000mu of land in Wulan Village, Wulan Township, Dalat Banner, Baotou City, Inner Mongolia, China (hereinafter referred to as the Land). Party A certifies that there is sufficient water source nearby the collective land which is suitable for planting. Moreover, the land is free of mortgage or dispute, so it can be transferred to Party B.

Article 2 Party A hereby confirms that the effective land use right period of the Land expires on December 31, 2049. The approved purpose of the land is to plant sophora alopecuroides. The collective land use certificate No. is Yuan Ji Yong (2000) Zi No. 00001 (See Attachment 1). The certificate has expired and it will come into force unless it is renewed.

Article 3 Party B is an Australian listed company. Both parties agree to confirm the Hong Kong subsidiary of Party B to be the cooperative investor of the project, accounting for 90% of Sino-Foreign Joint Venture Company.

Article 4 Party A and Party B agree to establish an Sino-Foreign Joint Venture Company, incorporate 32,000 mu land owned by Party A into Sino-Foreign Joint Venture Company established jointly by Party A and Party B with the share proportion of 10% for Party A and 90% for Party B. Party A and Party B agree that Party B shall compensate Party A directly according to payment mode stated in Article 7 after signing this Contract.

Article 5 Transferring payment of land transfer rights

5.1. The Land to be transferred to Sino - foreign joint venture is located at Wulan Township, Dalad Banner, Baotou City, Inner Mongolia, China (see Attachment 1). After Party A prepares all the required documents, Party A will assist the Sino-Foreign Joint Venture Company in obtaining new land use certificate and any associated rights.

5.2. The current price of right to use the land is RMB 15,000 Yuan per mu, while Party A agrees to transfer the right to use the land at the preferential price of RMB 12,500 Yuan per mu. Party A has employed an Independent Hong Kong registered professional appraiser to evaluate the market price of the collective land. If the evaluated price is lower

than RMB 15,000 Yuan/mu, Party A promises to transfer the right to use the land at the price of 85% of the evaluated price by Hong Kong registered professional appraiser.

- 5.3. Total area of collective land transferred to Party A is 32,000 mu with Party B accounting for 90%, that is to say, Party B owns the equivalent value of land under the name of Sino-Foreign Joint Venture Company Three Hundred and Sixty Thousand Yuan (RMB360,000,000 Yuan)

Article 6 Sino-Foreign Joint Venture Company

- 6.1 Party A and Party B agree that the Sino-Foreign Joint Venture Company owns 100% ownership of the transferred land with 10% for Party A and 90% for Party B.
- 6.2 Party A and Party B agree to manage the Sino-Foreign Joint Venture Company jointly. The management clause and regulations shall be dealt with by concluding supplementary agreement after completing registration procedures of Sino-Foreign Joint Venture Company.
- 6.3 The registered capital of Sino - foreign joint venture is USD 1 million dollars. Party B will pay registered capitals.
- 6.4 Party A and Party B agree to confirm Party B's affiliated Hong Kong subsidiary "Sino Dragon International Limited" to be the project company. Party A requires Party B of notifying the name of foreign company in writing when registering to establish the Sino-Foreign Joint Venture Company so as to deal with the procedure.
- 6.5 Both parties agree that Sino - foreign joint venture will be responsible for all expenses of registering land certificate. Party B agrees to prepay the registering expense and other associated expenses no more than RMB 10,000,000 Yuan and will be compensated in real time after the Sino-Foreign Joint Venture Company starts make profit. In addition, Party B agrees to prepay RMB 8,000,000 Yuan by December 31, 2009, and no more than RMB 10,000,000 Yuan as the initial expense, which will be used as registration expenses and other associated expenses for transferring the land to the Sino-Foreign Joint Venture Company. If Party B raises a request, Party A agrees to prolong the period of establishing the Sino-Foreign Joint Venture Company to June 30, 2010.

Article 7 Payment arrangement

Both parties agree the compensation expense paid by Party B is RMB 360,000,000Yuan. Party A agrees that Party B makes the payment in terms of the following three modes as the expenses for obtaining 90% equities of the Sino-Foreign Joint Venture Company.

7.1 Payment mode 1:

RMB 240,220,000 Yuan

Party A agrees to be paid by the assets of Party B's affiliated company to Party A and Party A agrees to receive the assets paid by Party B RMB Two Hundred and Forty Million Two Hundred and Twenty Thousand Yuan (RMB 240,220,000) as part of transferring payment made by Party B to Party A. Party A will not make actual evaluation of the received asset. Upon the asset transferring procedure is completed, both parties will not investigate responsibilities mutually. Party B is not entitled to investigate asset disposal of Party A and the profit from asset disposal by Party A is unrelated to Party B. For the loss from the assets, if any, Party A shall not investigate the responsibility of Party A. Moreover, both parties agree that the exchanged asset will not be returned in any case.

7.2 Payment mode 2:

RMB 55,000,000 Yuan

Party B agrees to issue Four Hundred and Fifty-Five Million Nine Hundred Thousand

shares (455, 900,000 shares) of Suntech Environmental Group Limited, an Australian Listed Company to Party A or its designated beneficiary. The book value of each stock of Suntech Environmental Group Limited is 0.02 AUD. Both parties agree the total value RMB Fifty-Five Million Yuan (RMB 55,000,000) is deemed as part of transferring payment paid by Party B to Party A.

7.3 Payment mode 3:

RMB 65,000,000 Yuan

Whereas Party B needs time to learn about the cooperative land and funding arrangement, so Party A promises to contract management right of the land, and Party B agrees to deliver the cooperative land to Party A for management independently since June 1, 2007, until December 31, 2009 with the contracting expense of Sixty-Five Thousand Yuan (RMB65,000,000 Yuan). Any earnings from the land during this period is unrelated to Party B. Prior to the establishment of the Sino-Foreign Joint Venture Company, the contracting expense shall be received in full by Party B or its Hong Kong subsidiary, and unrelated with the Sino-Foreign Joint Venture Company. Party A agrees that the expense can be used to set off part of transferring payment that is due to Party A from Party B.

7.4 The payment time of the above three modes of payment shall be arranged by Party B as the case may be. However, Party B must deliver the Suntech stock arrangement to Party A or its designated beneficiary before 31 October 2009. Or else, Party B shall make the 10% payment equivalent to the unpaid stock as liquidated damages.

Article 8 Party A guarantees:

- 8.1 Party A guarantees that the valid right to use the land is up to December 31, 2049.
- 8.2 Now, the land is approved to be used for planting sophora alopecroides. Party A may assist the Sino-Foreign Joint Venture Company in planting other accepted crops, including but not limited to sunflower seed.
- 8.3 Party A guarantees the land use right can be transferred to Sino-Foreign Joint Venture Company.
- 8.4 Party A shall start to transfer the land use right to Sino-Foreign Joint Venture Company within one month after receiving RMB Five Million Yuan and notify Party B about the actual expense after starting. Party B promises to pay the balance to Party A within 30 days.
- 8.5 Party A guarantees to start to deal with land registration after receiving the initial payment RMB Five Million Yuan from Party B. If registration issue occurs and land use right certificate cannot be obtained, Party A agrees to submit Two Hundred Million shares of Suntech Environmental Group Limited to Party B for sale to compensate the loss caused to Party B. Both parties agree to never investigate the responsibility mutually after receiving Two Hundred Million shares of Suntech.
- 8.6 Party A agrees that if Party B requires converting land use right certificate to Sino-Foreign Joint Venture Company, Party B shall bear the relative procedure, and complete land registration. If registration issue occurs, the loss shall be borne by Party B solely. Party A shall not bear it.

Article 9 If either party causes delay or the failure to perform the responsibilities under the contract due to majeure (not self cause), the Party should take all necessary remedy measures to reduce the losses. The party should serve written notice to the other party within 48 hours after the occurrence of the event, and submit the report about the failure to perform completely or partially and the reason to delay the performance within 7 days after the occurrence.

Article 10 The conclusion, validity, interpretation, performance and settlement of disputes in this contract shall be governed and protected by the laws of the People's Republic of China.

Article 11 The agreement is applicable to the laws of the People's Republic of China. All disputes occurred from the contract performance or related to the agreement shall be settled by both parties upon friendly negotiation. Failing which, the case shall be submitted to China International Economic and Trade Arbitration Commission Shenzhen Branch for arbitration according to the arbitration procedures. The adjudication should be final and binding on either party.

Article 12 The contract is prepared in octuplicate and both parties hold four copies with equal legal effect.

Article 13 The contract was signed in Shenzhen, the People's Republic of China on March 28 2007.

Article 14 Any outstanding matter in the contract may be agreed by both parties as contract appendix. The appendix will have equal legal effect as the contract.

Transferor: Inner Mongolia Kudouzi Investment Company Limited

(Signed and stamped)
Legal representative (entrusted agent)

Transferee: Suntech Environmental Group Limited

(Signed and stamped)
Legal representative (entrusted agent)

内蒙古土地转让合同

本合同双方当事人

转让方： 内蒙古苦豆籽投资有限公司（下称“甲方”）
联络地址： 中国呼和浩特等经济技术开发金川区如意区
(中国成立注册公司，营业执照编号 501002003282(4-1))

受让方： 生科环保集团有限公司(下称“乙方”)
Suntech Environmental Group Limited
(澳洲上市公司，ARBN 067 993506)
联络地址： 香港干诺道中 21 号华商会所大厦 6 楼

总 则

根据中华人民共和国国家及地方有关法律、法规，双方本着平等、自愿、有偿的原则，订立本合同。

第一條 甲方持有中国蒙古包头市达拉特旗乌兰乡乌兰村合共三万二千亩地之集体土地使用权(简称“集体土地”)，甲方证实此集体土地水源充足，适合种植及可以转让予甲乙双方之中外合资公司。

第二條 甲方证实此集体土地之有效承包经营权之年限至 2049 年 12 月 31 日。现时之有效土地承包经营权之土地批准为种植苦豆子。乙方转让之集体土地使用证编号为：达集用(2000)字第 00001 号(见附件一)，此證已到期，需要換新後才能生效。

第三條 乙方为澳洲上市公司，双方同意由乙方附属香港子公司作为此项目之合作投资方，占中外合资公司 90%。

第四條 甲乙双方同意合组中外合资公司，双方同意将甲方拥有之 32000 亩土地注入由甲乙双方共同成立之中外合资公司，股份比例分别为甲方占 10%，乙方占 90%。甲乙双方同意在签署此合同后，乙方根据下述第七条之付款方式直接对甲方作出补偿。

第五條 土地转让权转让金:

1. 转让给中外合资公司之土地是位于中国蒙古包头市达拉特旗乌兰乡合共三万二千亩地(见附件一), 甲方完善所需文件后, 甲方会协助中外合资公司取得新之土地使用證及一切有關之權益。
2. 每亩地承包经营权现市值价为人民币一万五千元, 甲方同意以每亩人民币一万二千五百元优惠价计算。甲方已聘请独立香港注册专业评估师评估此集体土地之市值, 如评估价低于每亩人民币一万五千元, 则甲方同意以香港注册专业评估师之评估价85%计算。
3. 转让给中外合资公司之集体土地总面积为三万二千亩, 乙方占90%, 即乙方拥有中外合资公司之土地价值等值人民币三亿六仟万元(RMB360,000,000)计算。

第六條 中外合资公司:

- (1)甲乙双方同意由中外合资公司拥有100%之出让土地, 甲方占10%, 乙方占90%.
- (2)甲乙双方同意共同管理中外合资公司, 管理条款及细则在完成中外合资公司手续后另订补充协议处理.
- (3)中外合资公司注册资金为一百万美元, 由乙方负责.
- (4)甲乙双方同意乙方之香港附属公司“龙鹰国际有限公司”作为项目公司, 甲方要求在登记成立中外合资公司时需由乙方书面通知确定外方公司名称, 以便办理手续.
- (5)甲乙双方同意由中外合资公司负责登记土地证之其它费用, 乙方同意垫付登记费及其它相关费用不超过人民币一千万元,

在中外合资公司有利润后实时返还。乙方并同意在于2009年12月31日前垫付人民币八百万元，不超过一仟万元作为前期费用，此费用用于将土地转让至中外合资公司之登记费及其它有关费用等。如乙方提出要求，甲方同意成立中外合资公司期限延长至2010年6月30日。

第七條 付款安排

雙方同意乙方之補償費為人民幣三億六仟萬元，甲方並同意乙方以下列三種方式支付，作為取得中外合資公司 90%權益之費用：

(1) 方式一：

人民幣二億四仟萬零二十二萬元

甲方同意以乙方其下屬公司資產付給甲方，甲方同意接收乙方交來資產，總作價為人民幣二億四仟零二十二萬元(RMB240,220,000)，作為乙方給予甲方的部份轉讓款。甲方不會對所接收之資產作出實際評估，此等資產轉讓手續完成，甲乙雙方將互不追究，乙方無權向甲方追查資產處理情況，甲方在處理資產中所產生的利潤，與乙方無關；如因資產所產生的虧損，甲方不得向乙方追究。甲乙雙方並同意已置換之資產在任何情況下一概不會退回。

(2) 方式二：

人民幣五千五百萬元

乙方同意發出澳洲上市公司“生科環保集團有限公司”合共四億伍仟伍百九十萬股(455,900,000股)予甲方或其指定受益人，生科集團之每股票面值为澳幣二仙，甲乙雙方同意總值為人民幣五仟五百萬元(RMB55,000,000)，作為乙方給予甲方的部份轉讓款。

(3) 方式三：

人民幣六千五百萬元

有鑒於乙方需要時間認識合作土地之情況及安排其它集資事宜，故甲方答應承包經營，乙方同意將合作

土地从 2007 年 6 月 1 日起交由甲方独自经营，经营期至 2009 年 12 月 31 日，承包费合共人民币六千五百万元 (RMB65,000,000)，在此期间土地上之一切收益概与乙方无关。在中外合资公司未成立前，此项承包费用由乙方或其香港附属公司全数接收，概与中外合资公司无关，甲方同意此费用可用于抵销乙方需支付予甲方的部份转让款。

- (4) 以上三项付款方式之支付时间，乙方可按实际情况安排，但乙方必须在 2009 年 10 月 31 日前将生科股票完成安排交至甲方或其指定受益人，否则乙方须支付未付股票等值款之 10% 违约金给甲方。

第八条 甲方保证：

- (1) 甲方保证此土地之有效使用权年限至 2049 年 12 月 31 日。
- (2) 现时之有效土地承包经营权之土地批准为种植苦豆子。甲方可协助中外合资公司种植其它认可之农作物，包括葵花籽等农作物。
- (3) 甲方保证土地经营权可以转让至中外合资公司名下。
- (4) 甲方在收到乙方垫付款人民币五百万后一个月內负责启动土地承包经营权转名至中外合资公司名下，在启动后甲方通知乙方有关之实际用款，乙方承诺在 30 天内支付餘款给甲方。
- (5) 保证在收到乙方之首项人民币五百万元垫付款后即行办理土地登记手续，如登记上出现问题，没法取得土地使用權證，則甲方同意將生科二亿股股票交由乙方代为出售，补偿乙方损失。双方同意在收到生科二億股票後互不會追究另一方之責任。

(6) 甲方同意如乙方要求自行更改土地使用權證至中外合资公司，則乙方开始负责相关手续后，乙方要自行完成土地登记，如登記出現問題，則所产生的损失概由乙方自行负责，甲方概不承擔。

第九条 任何一方对于因发生不可抗力且自身无过错造成延误或不能履行合同义务不负责任，但必须采取一切必要的补救措施以减少造成的损失。遇有不可抗力的一方，应在四十八小时内将事件的情况以书面形式通知另一方，并在事件发生后七日内，向另一方提交合同不能履行或部份不能履行以及需要延期履行理由的报告。

第十条 本合同订立，效力，解释，履行及争议的解决均受中华人民共和国法律的保护和管辖。

第十一条 本协议适用中华人民共和国的法律，凡因履行本协议所发生的或与本协议有关的一切争议双方应当通过有好协商解决。如果协商不能解决，应提交中国国际经济贸易仲裁委员会深圳分会根据该会的仲裁程序及规则进行仲裁。裁决具有终局效力，对各方均有约束力。

第十二条 本合同正本一式捌份，甲乙双方各执四份。捌份合同均具有同等法律效力。

第十三条 本合同于二零零七年三月二十八日在中华人民共和国深圳市签订。

第十四条 本合同未尽事宜，可由双方约定后作为合同附件，与本合同具有同等法律效力。

转让方：

内蒙古苦豆籽投资有限公司



法定代表人(委托代理人)

受让方：

生科环保集团有限公司



法定代表人(委托代理人)



13 February 2017

Mr Stonely Sek
Company Secretary
Australia China Holdings Limited
Level 16 China Building
29 Queen's Road
Central Hong Kong

By email: sec@aakch.com

Dear Mr Sek,

Australia China Holdings Limited (the "Company")

ASX Limited ("ASX") refers to:

- A. ASX's query letter dated 22 December 2016 released on the ASX Market Announcements Platform on 27 January 2017.
- B. The Company's response dated 25 January 2017 released on the ASX Market Announcements Platform on 27 January 2017.

Relevant Listing Rules and guidance

ASX also refers to the following:

- Listing Rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity".

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information?"*.

- Listing Rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

3.1A.3 *One or more of the following applies.*

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret.”*

Questions for response

Pursuant to Listing Rule 18.7, ASX requires the Company to answer the following questions and requests for information in a format suitable for release to the market:

1. In the Company’s response dated 25 January 2017, you provided to ASX a copy of an agreement (the “Updated Agreement”) with an English translation entered into on 27 January 2010 between the Company’s 100% owned subsidiary, Australia China Land Holdings Limited, and Inner Mongolia Kudouzi Investment Company Limited (the “Counterparty”) for the rights to land located in Inner Mongolia (“Farm Land”). The Updated Agreement includes the following note:

“This contract was firstly signed by Sino Dragon International Limited (“SDI”, then 100% subsidiary of the Company) and Party A on 28 March 2007, as SDI was disposed of on 25 June 2009 and all assets were then taken up by Australia China Land Holdings Limited (Party B, another 100% subsidiary of the Company). Party A and Party B later on re-entered into the above contract with updated information to record the transaction.”

Please advise:

- 1.1 What was the “updated information” referred to in this note?
 - 1.2 Was the “updated information” something a reasonable person would expect to have a material effect on the price or value of the Company’s securities?
 - 1.3 If the answer to question 1.2 is “yes”, why did the Company not announce that information immediately upon becoming aware of it?
2. ASX notes the Company’s announcement released on the ASX Market Announcements Platform on 30 May 2007 and updated on 31 May 2007 announcing for the first time that it had “secured the rights” to the Farm Land.

Please explain:

- 2.1 Why did the Company not make an announcement under Listing Rule 3.1 that its then 100% owned subsidiary, Sino Dragon International Limited (“SDIL”), had entered into the agreement (the “Original Agreement”) with the Counterparty for the rights to the Farm Land on or immediately after the date on which the agreement was (according to the note referenced above) entered into on 28 March 2007?

2.2 Why did the Company not include in its announcement on 30 May 2007 the material terms of the Original Agreement?

3. Please provide a copy of the Original Agreement and, if it is in Chinese, a translation into English.
4. In section 1.5 of the Company's response dated 25 January 2017, it is noted that a total of 455,900,000 ordinary shares in the Company were issued to Asia Asset Limited, Mr Liu Jin Hu and Golden Tiger Investors Limited as part consideration for the Company's acquisition of the rights to the Farm Land. Please explain who these parties are, what their connection is with the Counterparty and why these shares were issued to these parties and not to the Counterparty.
5. In the Company's response dated 25 January 2017, you provided a copy of a valuation report dated 27 May 2007 prepared by Asset Appraisal Limited valuing the Farm Land at RMB480,000,000. The valuation report states that it was prepared "for internal reference purposes". ASX notes that the valuation report only includes two comparable sales, both of which were completed at substantially lower prices per hectare than the price per hectare the Company had agreed to pay for the Farmland. Asset Appraisal Limited purported to "counter-check" their valuation by reference to a discounted cash flow ("DCF") analysis representing the future economic benefits to be derived by the Company from farming the Farm Land and using inputs provided by the Company. The results of the DCF analysis, however, were not included in the valuation report.

Please explain for what purpose the Company obtained this valuation report, given that (according to the note referenced above) the Company had already entered into the Original Agreement on 28 March 2007.

6. In the Company's response dated 25 January 2017, you provided a copy of a further valuation report dated 22 May 2008 prepared by Asset Appraisal Limited valuing the Farm Land at RMB500,000,000. It appears to be the valuation referred to by the Company in note 8 of its financial statements for the year ended 31 March 2008 and in its subsequent financial statements for the years ended 31 March 2009, 2010 and 2011. The valuation report states that the market value "is our preliminary estimate for indication purpose only and is subject to our formal valuation report to be issued to the Company." The valuation report is essentially a one page report, attaching a further page with a map showing the location of the land and an explanation of limiting conditions and the basis of valuation, one page of photos and two pages of copies of what appear to be legal documents relating to title. It does not reference the earlier valuation report provided by Asset Appraisal Limited on 27 May 2007.

In this regard:

- 6.1 Was the Company issued a formal valuation report by Asset Appraisal Limited?
- 6.2 If the answer to question 6.1 is "yes", please provide a copy of the formal valuation report.
- 6.3 If the answer to question 6.1 is "no", please explain the basis on which the Board thought it appropriate to include the preliminary estimate in the financial statements of the Company for the years ended 31 March 2008, 2009, 2010 and 2011 despite not having received the formal valuation report.
- 6.4 Has the Company received a valuation report of the Farm Land since the Asset Appraisal Limited report prepared on 22 May 2008? If so, please provide a copy of the report. If not, please provide the directors' estimate of what they consider the Farm Land to be worth today.

7. ASX notes the statement in section 4 of the Company's response dated 25 January 2017 that it was notified in "early December 2016" by Blesswin Investments Limited that the Counterparty considered the Updated Agreement had not been fulfilled due to a shortfall of \$7,858,375 payable by the Company. Please explain why the Company did not make an announcement under Listing Rule 3.1 immediately upon becoming aware of this information.
8. Since the Company's response dated 25 January 2017, has the Board decided how to proceed in settling the shortfall dispute? If so, what has been resolved? If not, why not?
9. Have there been any other material developments in relation to the dispute concerning the Farm Land since the Company's response dated 25 January 2017?
10. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
11. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Your response is required as soon as reasonably possible and, in any event, **by not later than 5pm AEDT on Friday, 24 February 2017**. Your response should be sent to me by email.

If the Company does not provide a suitable response within this timeframe to each of the questions and requests for information above, ASX reserves the right to terminate the Company's admission to the official list for breach of the Listing Rules.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out above.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Finally, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

If you have any queries regarding any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Isabella Wong

Adviser, Listings Compliance (Sydney)