



# Australia China Holdings Limited

ARBN 067 993 506

28 Bangalla Road, Rose Bay, NSW 2029, Australia

Email: [sec@aacch.com](mailto:sec@aacch.com)

25 January 2017

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

By e-mail

Dear Isabella,

We refer to your letter dated 22 December 2016, 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 relation to the party from whom the rights to the Farm Land were acquired (the "Counterparty"), please advise:**

**1.1 The identity of the Counterparty;**

The Counterparty named "Inner Mongolia Kudouzi Investment Company Limited"(内蒙古苦豆籽投资有限公司). Enclosed is the identity of the Counterparty listed on National Enterprise Credit Information Publicity System. (see attachment 1)

**1.2 What information the Company has in relation to the Counterparty and its financial standing, commenting in particular on its capacity to repay the substantial deposit paid by the Company for the Farm Land;**

The Company has searched the Bureau of Industry and Commerce and the paid up capital of the Counterparty is reported as Renminbi Six Hundred and Sixty Million (RMB660,000,000), we have been further advised that the Counterparty is also the part owner of other farm lands in excess of 50,000mu in the nearby area.

**1.3 What information the Company has about the use the Counterparty has made of the substantial deposit paid by the Company for the Farm Land (for example, is it held in some form of secured deposit account in the joint names of the Company and the Counterparty or has the Counterparty been free to use that deposit for its own purposes?);**

The Counterparty was free to use the deposit.

**1.4 Whether the Counterparty has any relationship with the Company or any of its directors and, if so, full details of that relationship; and**

No. The Counterparty has no relationship with either the Company or any of its directors.



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**1.5 Whether the Counterparty or any of its associates holds, or has held, a relevant interest in any of the Company's securities and, if so, full details of that interest.**

The Counterparty or any of its associates were initially not holding any shares in the Company. They became shareholders after the Company had paid them shares in lieu of cash for the Farm Land and their respective shares holding positions are as per tabulation below.

**Share issued in lieu of consideration of land deposit**

Date of shares issued	Details	Unit of shares	Amount	Current position at share registry on 3.12.2016
@par value A\$0.02				
1/12/2007	Shares be allotted to Asia Asset Limited , instructed by Counterparty (per official receipt) as satisfaction of the farm land application payment	70M	1,400,000	sold
30/3/2009	Shares be allotted to Mr. Liu Jin Hu, a legal representative of Counterparty as satisfaction of the farm land application payment	100 M	2,000,000	sold
11/9//2009	Shares be allotted to Golden Tiger Investors Limited ( Liu Jin Hu is the sole shareholder ) as part of the consideration for the acquisition of the farm land	100 M	2,000,000	sold
31/8/2009	Shares be allotted to Golden Tiger Investors Limited ( Liu Jin Hu is the sole shareholder ) as part of the consideration for the acquisition of farm land	185.9 M	3,718,000	sold
8/1/2011	Shares be allotted to Golden Tiger Investors Limited ( Liu Jin Hu is the sole shareholder ) as part of the consideration for the acquisition of an additional 5% equity of the farm land	50M	1,000,000	sold

**10,118,000**

**2. Was a written agreement entered into between the Company or a controlled entity of the Company and the Counterparty for the acquisition of the Farm Land? If so, please provide a copy. If not, why not?**

Yes, details shown below and see the original version of Land Use Right Transfer Contract and its translation enclosed. (see attachment 2)



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<b>1 Land basic situation</b>	The particulars of the 32,000mu land (Land Certificate Reference No. (2000)-00001 are set out as follow:
a) Site area :	32,000mu
b) Permitted use :	Agriculture
c) Land use right term expiry :	31 December 2049
<b>2 Valuation in land :</b>	A valuation report issued by Asset Appraisal Limited announced that the farmland 32,000mu was estimated with a market value up to RMB500,000,000

### 3 Summary of cost and Payment term :

	Contract signed on 27Jan-2010	Contract signed on 27Jan-2010	Supplementary agreement signed on 10 Aug-2010
<u>RMB</u>	<u>RMB</u>	<u>A\$</u>	<u>A\$</u>
Agreed market value of the captioned land	400,000,000	(per agreed rate @5.027)	
Acquisition cost ( 90% of equity on 400M ) per contract	360,000,000	71,613,288	
To acquire an additional 5% equity up to 95% on 400M	380,000,000		4,000,000

### Term of payment :

1) <u>Payment in receivables and equity shares</u>	42,320,868	
2) <u>455.9M AAK shares</u>	9,647,200	
<u>50M AAK shares</u>		1,000,000
3) <u>To lease land to Counterparty :</u>		
Rental period from Yr2007.6.1 to Yr2010.6.30	19,645,220	
Rental period from Yr2007.7.31 to Yr2011.2.28		3,000,000
<b>Total</b>	<b>71,613,288</b>	<b>4,000,000</b>
<b>Total consideration</b>		<b>75,613,288</b>



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## Shares issued for IM land 32,000mu

Issued date	Shares	Par value (A\$)	Amount	Stock price on issued date(A\$)	Amount	Particulars
1/12/2007	70,000,000	0.02	1,400,000	0.0125	875,000	70M share to Asia Assets Ltd
30/03/2009	100,000,000	0.02	2,000,000	0.00188	188,000	100M share to Liu Jin Fu
9/11/2009	100,000,000	0.02	2,000,000	0.00437	437,000	100M share to Golden Tiger
31/08/2009	185,900,000	0.02	3,718,000	0.00375	697,125	185.9M share to Golden Tiger
	455.9M		9,118,000		2,197,125	
1/08/2011	50,000,000	0.02	1,000,000	0.00125	62,500	50M to Golden Tiger
			10,118,000		2,259,625	
		(A)		(B)		
			A Less B = Shortfall			
			A\$7,858,375			

5. Please provide a detailed account of the steps the Company has taken to finalise the title transfer for the acquisition of the Farm Land from the date of the original announcement of that acquisition on 31 May 2007 to date and explain why the Company has repeatedly failed to meet the stated timeframes within which it expected the title transfer to be finalised.

Under the Agreement signed between the Company and the Counterparty the title of the Farm Land was to be transferred to a newly incorporated Joint Venture Company, of which the Company was to own 90%. A supplementary agreement was entered into increasing the Company's share to 95%. A fee of US\$1m was to be paid to establish the Joint Venture Company. Mr. Nelson Chiu, the previous Chairman was the party directly involved in the negotiations with the Counterparty died in late 2014. The primary reason for the failure to meet the stated timeframes was due to a lack of funds by the Company to complete the registration of the Joint Venture Company as required under the agreement, and also Mr. Chiu's death.

After Mr Chiu's death the new Directors found themselves confronted with a number of problems which required attention. There was a question as to ownership of large parcels of shares which effectively controlled the voting within the Company. Until this was resolved the Company was unable to put forward urgent plans such as



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3. *Have the terms of the agreement for the acquisition of the Farm Land changed in any material respect since it was first entered into? If so, please provide full details of the changes and when they occurred.*

A supplementary agreement was entered into on 10/08/2010 to acquire an additional 5% of equity in the land, increasing the equity to 95%. Please refer to table in Point 2 above. See the original version of supplementary agreement and its translation enclosed. (see attachment 3)

4. *Does the Company still regard the agreement for the acquisition of the Farm Land to be in full force and effect?*

The Company had believed that the Agreement for the acquisition of the Farm Land to be in full force and effect. In the course of discussion for the land title transfer, Blesswin Investments Limited ("Blesswin") who have been engaged by the Company to resolve the matter (see 9 below), was informed by the Counterparty in early December 2016, that there was a shortfall of A\$7,858,375 (see table below) due to the difference between the issue price of A\$0.002 (being par value) and the share price at the time their shares were issued to them. In order to complete the purchase the Company would need to pay this shortfall amount. The Counterparty is claiming that due to this the Company has not fulfilled the Agreement. In order to resolve the matter, if the Company is not prepared to pay the shortfall, the Counterparty has offered in return to swap this land for other land, of the similar size.

This development has now left the Company with several options to consider, at this time none have been decided by the Board.

1. To make a special provision, this is being currently discussed with our Consultants and Auditors on the effect of this and how the Company would proceed with this;
2. To continue with Blesswin's engagement to continue negotiations with the Counterparty and the local Government;
  - a) To continue negotiations to have the Counterparty agree to accept the original payment for the completion of the original piece of land/or
  - b) If it is not possible, to obtain the original piece of land as per a), to investigate the offer of a similar piece of land of the similar size which would be subject to valuation and legal agreement and other requirements, or
  - c) In the event that a) or b) do not occur, if required the Company will seek legal advice, and action to take all the avenues to recover the deposit back in cash and/or shares and/or assets which were paid to the Counterparty.
3. In any event the Board will undertake any action required to ensure that the Company's position is maintained.



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recapitalising the Company so that it had the funds to proceed with the title transfer. The ownership and transfer of the shares took almost 12 months to resolve. Also the previous Directors of the Company under Mr. Chiu were removed at the Company's AGMs.

In September 2015 the Company undertook a 10 to 1 share consolidation and a reduction in the par value of the Shares from \$0.02 to \$0.001 prior to undertaking the capital raising. This was done to bring the issue price of the Shares in line with the market price. In November 2015 the Company successfully completed a capital raising provided the Company with the cash to complete the title transfer. This also caused a delay in applying to transfer the title.

**6. Please describe in detail what steps, if any, the Company has taken to secure the repayment of the substantial deposit it has paid to the Counterparty in the event that the title transfer does "finally fail".**

Listed below are the various payments made and the respective official receipts. According to those receipts from the Counterparty, they had given assurances repeatedly that they undertake to refund the respective payments they received, in cash or in shares or in assets, as per what they had received, in the event that the local government refuse to allow the registration of the title.

Official receipt	Date	RMB	Description	Undertake to refund in cash, or shares or assets, as per what they have received
1	30/3/2007	150,000,000	Account receivable	Yes
2	30/11/2007	14,000,000	Rental income 2007.6.1 to 2007.11.30	Yes
3	8/1/2008	12,600,000	70M share to Asia Assets Ltd	Yes
4	30/11/2008*	28,000,000	Rental income 2007.12.1 to 2008.11.30	Yes

\*Note: As we cannot find the date on official receipt, we assume this date as the suitable date.

Up to date the Company has not taken any steps to recover the deposit. However, the Company may consider this in respect to the recent developments please refer to the responses in question 4, 2a) and b).

**7. Please provide a copy of each valuation report provided to the Company by Asset Appraisal Limited in relation to the Farm Land.**

Please see enclosed valuation reports issued by Asset Appraisal Limited on 27th May 2007 and 22nd May 2008 respectively. (see attachment 4 & 5)

**8. Of the funds raised under the 2015 Rights Issue, please specify whether any of the funds allocated to the registration of the Farm Land have been spent and, if so, provide full details of that expenditure.**

Of the funds raised and allocated to the registration of the Farm Land the only payment made in respect to the Farm



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Land has been the payment of a US\$600,000 (A\$800,040) fee to Blesswin. This fee has been paid to them to fully complete the transfer of the land title, including payment of the Joint Venture Registration Fee. Blesswin had advised the Company that due to their relationships, they were able to complete the matter for a lesser amount than the Company had been previously advised, this fee is capped at a maximum of US\$600,000 (A\$800,040). This fee had been paid before the Counterparty had informed the Company that there was a shortfall of the land payment, subject to satisfactory resolution to points a) and b) in question 4. If Blesswin are unable to complete registration, they will repay the fee, less any costs incurred.

- 9. Please explain why it has been necessary for the Company to engage Blesswin "to manage the registration process and the title transfer" and provide full details of the services are being provided by Blesswin to the Company and what the A\$800,041 fee being paid by the Company to Blesswin is to be used for.**

Blesswin, have been engaged by the Company as they have good contacts with the local government and respective parties in Inner Mongolia, which the current Management do not have. The US\$600,000 (A\$800,041) capped fee paid to Blesswin as advised is to complete the registration process including payment of fees. However, in order to achieve this Blesswin have to date;

- a) They have met with both the local government and the Counterparty, several times in Inner Mongolia on the matter.
- b) The local authorities had requested an updated business plan on the intended land usage, to be submitted by the Joint Venture, Blesswin had been preparing this on behalf of both the Company and the Counterparty.
- c) As advised Blesswin had met with the Counterparty and was recently been informed that there was a shortfall for the land payment (refer Question 4). Blesswin has discussed this with the Counterparty who has now advised Blesswin that they are prepared to offer as a counter proposal to provide other parcel or parcels of land of the similar size, to the joint venture company

- 10. Please advise whether Blesswin has any relationship with the Company (other than being a "major shareholder") or any of its directors and, if so, full details of that relationship.**

No. Blesswin has no relationship either with the Company (other than being a major shareholder) nor with any of its directors.

- 11. Please advise the extent of Blesswin's shareholding in the Company.**

Based on the Share Registrar record on 3 December 2016, Blesswin has 22.16 % interest of equity of the Company.

- 12. Please advise whether Blesswin has any relationship with the Counterparty and, if so, full details of that relationship.**

No, per our understanding, Blesswin has no relationship with the Counterparty.

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

The Company is in compliance with the Listing Rules particularly with Listing Rule 3.1. The Company



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is aware of its obligations and will inform shareholders and ASX of significant matters affecting the Company and as such is committed to make full disclosure of all significant events on a timely basis.

- 14. Please confirm that the Company's responses to the questions above have been authorized 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.***

The Company's responses to the questions above have been duly authorized and approved by the Board.

Yours faithfully,

For and on behalf of

Australia China Holdings Limited

Stonely Sek

Company Secretary





登记信息

备案信息 动产抵押登记信息 股权出质登记信息 行政处罚信息 经营异常信息 严重违法信息 抽查检查信息

## 基本信息

统一社会信用代码

注册号 152722000006437

名称 内蒙古晋豆籽投资有限公司

类型 有限责任公司(自然人投资或控股)

法定代表人 刘金庚

注册资本 66000万人民币元

成立日期 2000年01月07日

经营场所 内蒙古自治区鄂尔多斯市达拉特旗树林召镇西园路平原大街南金鑫路西教育路南

营业期限自 2000年01月07日

营业期限至 2030年01月06日

经营范围 晋参系列产品开发和经营。

(依法须经批准的项目,经相关部门批准后方可开展经营活动) =

登记机关 达拉特旗工商行政管理局

核准日期 2012年04月27日

登记状态 存续

## 股东信息

股东的出资信息截止2014年2月28日。2014年2月28日之后工商只公示股东姓名,其他出资信息由企业自行公示。

股东类型	股东	证照/证件类型	证照/证件号码	详情
自然人股东	陈树坤	不公示	不公示	详情
自然人股东	单立新	不公示	不公示	详情
企业法人	呼和浩特市蒙参苦参碱厂	营业执照	1501002400034	详情
企业法人	汕头经济特区新业发展有限公司	营业执照	4405072000009	详情

&lt;&lt; 1/1 &gt;&gt;

工商公示信息

企业公示信息

其他部门

变更信息

## **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 )** : Australia China Land Holdings Limited

Contact Address: 6/F, 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). The original land certificate No.: DJY (2000) ZI No. 00001 (see appendix I).

Article 2 Party A hereby confirms that the effective land use right period of the Land expires on December 31, 2049. It is transferable and is suitable for planting and is with abundant water source. The approved purpose of the land is to plant sophora alopecuroides.

Article 3 Both parties signed the land use right transfer contract of Inner Mongolia on June 25, 2009. Both parties agree that the Land will be registered under a Sino - foreign joint venture, of which Party B will hold 90% of the Sino - foreign joint venture. The total area of the land is 32000mu.

Article 4 The Land to be transferred to Sino - foreign joint venture is

located at Wulan Township, Dalad Banner, Baotou City, Inner Mongolia, China (see appendix I). Party A is responsible for transferring the Land use rights to the Sino - foreign joint venture and which will hold all interests of the Land.

Article 5 Evaluated by an independent Hong Kong certified professional appraiser (name: Asset Appraised Limited), the market evaluation value of the collective land is RMB 500 million. And both parties agree that the land price to be RMB 400 million. Calculated based on Party B's 90% share of the joint venture, Party B shall pay RMB 360 million land transfer funds. Both parties confirm to base on the exchange rate of 5.027 on May 5, 2009, and agree that the Land transfer price to be AUD \$71,613,288. Party A confirms it has received all land transfer funds and should bear all respective taxes, if any. This land transfer price will supersedes all modes of transfer price and payment which are determined previously.

#### Article 6 Sino - foreign joint venture

- (1) Both parties have been approved to register the name of joint venture: Ordos Australia China Bio Fuel Products Co., Ltd. Party A holds 10% shares and Party B holds 90% shares of the joint venture. The Sino - foreign joint venture holds 100% Inner Mongolia transfer land. Party A and Party B hold 10% and 90% respectively. Both parties agree that Sino - foreign joint venture will complete its capital verification before December 31, 2010.
- (2) The registered capital of Sino - foreign joint venture is USD 1 million dollars. Party B will pay 90% of registered capitals.
- (3) Both parties agree that Sino - foreign joint venture will be responsible for all expenses of registering land certificate. Both parties agree that Party B should pay the registration expenses and other related expenses in advance for the Sino - foreign joint venture and the Sino - foreign joint venture will refund to Party B from its profits.

#### Article 7 Transfer funds

Party A confirms that Party B had paid all land transfer funds (AUD: 71,613,288) in the following modes:

1. Pay AUD 42,320,868 in cash or assets;
2. Party B's parent company Australia China Holdings Limited issues 455,900,000 shares to Party A or its designated beneficiary at the price of AUD 9,647,200;
3. Party B pays to Party A the operating lease on the Land from 1 June 2007 to 30 June 2010, with a total amount of AUD19,645,220.

Article 8 Party A guarantees:

- (1) Party A guarantees to transfer the land use right certificate to Sino - foreign joint venture within 90 days after Party B pays RMB 6.2 million land transfer funds behalf of the joint venture company.
- (2) Party A guarantees to complete the land registration process after receiving the said land transfer funds from Party B.

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 After taking effect, the contract will supersede for all previous agreements on the land transfer and other supplementary agreements signed between Party A and Party B or Australia China Land Holdings Limited or its subsidiaries before the date.

Article 11 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 12 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 13 The contract is prepared in octuplicate and both parties hold four copies with equal legal effect.

Article 14 The contract was signed in Shenzhen, the People's Republic of China on January 27, 2010 \*.

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:**

Inner Mongolia Kudouzi Investment Company Limited

(Signed and stamped)

Legal representative (entrusted agent)

**Transferee:**

Australia China Land Holdings Limited

(Signed and stamped)

Legal representative (entrusted agent)

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\*: 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 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.

## 内蒙古土地使用权转让合同

### 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：中国呼和浩特经济技术开发区金川区如意区  
(中国成立注册公司，营业执照编号 501002003282(4-1))

受让方： 澳华置地集团有限公司(下称“乙方”)  
Australia China Land Holdings Limited  
联络地址：香港中环干诺道中 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 甲方持有中国内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“内蒙土地”)，原土地使用证编号为：达集用(2000)字第 00001 号(见附件一)。

第二條 甲方证实此内蒙古土地之有效使用年限是至 2049 年 12 月 31 日。此内蒙古土地水源充足，适合种植及可以转让，现时之有效土地批准用途为种植苦豆子。

第三條 甲乙双方在 2009 年 6 月 25 日签署内蒙古土地使用权转让合同，双方同意内蒙古土地登记在中外合资公司，乙方占中外合资公司 90%。土地总面积为 32000 亩。

第四條 转让给中外合资公司之土地是位于中国内蒙古包头市达拉特旗乌兰乡合共三万二千亩地(见附件一)，甲方负责将内蒙古土地使用权转至中外合资公司及由合资公司持有此内蒙古土地一切利益。

第五条 根据独立香港注册专业评估师（名称为“资产评估顾问有限公司”）评估此集体土地之市值评估价为人民币五亿元，双





方同意之土地价为人民币四亿元，按乙方占合资公司 90% 计算，即乙方支付人民币 3.6 亿元转让款，双方确认以 2009 年 5 月 5 日之兑换率 5.027 计算，并同意转让地价合共为澳币 71,613,288 元，甲方并确认已收到全部之土地转让款。一切税务由甲方承担。此转让价之确定取代一切以前定下之转让价及付款方式。

#### 第六条 中外合资公司：

- (1) 甲乙双方已获批准注册制合资公司名为鄂尔多斯澳华生物油制品有限公司，其中甲方占合资公司 10% 的股权，乙方持有 90% 的股权，由中外合资公司拥有 100% 之内蒙古出让土地。甲方占 10%，乙方占 90%。双方并同意此中外合资公司将会在 2010 年 12 月 31 日前完成验资。
- (2) 中外合资公司注册资金为一百万美元，由乙方负责代支 90% 的注册费用。
- (3) 甲乙双方同意由中外合资公司负责登记土地证之一切费用，双方同意乙方垫付之登记费及其它相关费用，在中外合资公司有利润后实时返还给乙方。

#### 第七条 转让款

甲方确认乙方已用下列方式支付全部之土地转让款共澳币 71,613,288 元：

- 1，以现金及资产支付共澳币 42,320,868 元，
- 2，以乙方母公司澳华控股有限公司（Australia China Holdings Limited）发出合共四亿伍仟伍百九十万股（455,900,000 股）股票予甲方或其指定受益人，作价为澳币 9,647,200 元，
- 3，乙方支付给甲方所占部分之土地承包费用由 2007 年 6 月 1 日至 2010 年 3 月 31 日共计澳币 19,645,220 元，



6月30日



二五港封陸一

第八条 甲方保证:

- (1) 甲方保证在收到乙方垫付变更新土地证费用人民币六百二十万元后九十天内将土地使用权证转名至中外合资公司名下。
- (2) 甲方保证能在收到乙方之土地使用证登记款后完成土地登记手续。

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 本合同签署生效后,此合同会取代甲方与任何乙方及澳华控股有限公司或其下属公司在此日期前签署的土地承包经营权转让协议及其它补充协议。

第十一条 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。

第十二条 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友好协商解决。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。

第十三条 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。

第十四条 本合同于 2010 年 1 月 27 日在中华人民共和国深圳市签订。

第十五条 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:

澳华置地集团有限公司

法定代表人(委托代理人)

## Supplementary Agreement

The Parties concerned:

Inner Mongolia Kudouzi Investment Company Limited (Party A)

Address: Jin Chuan Economy Technology Development Zone, Huhhot, China

Australia China Land Holdings Limited (Party B)

After the friendly negotiation, both parties have agreed on the following supplement to the Inner Mongolia Land Use Right Transfer Contract (the Land Transfer Contract) signed on January 27, 2010:

1. According to the Land Transfer Contract, Party A transfers the 32,000mu of collective land use right in Wulan Town of Dalat Banner, Inner Mongolia to Party B (both parties agreed that the land value is RMB 400 million), and to transfer the land to the project company joint ventured by both parties registered in Ordos of Inner Mongolia. Party B had paid all the land transferring fee of AUD 71,613,288 (equivalent to RMB 360 million ), accordingly Party B owns 90% equity of the joint venture and Party A owns 10% of the equity.

2. Hereby, both parties agree that Party B would pay AUD 4 million to purchase 5% of the equity of the joint venture project company from Party A, as a result the project company equity proportion will be adjusted to 5% held by Party A, and 95% held by Party B respectively.

3. The payment method of AUD 4 million for the equity transfer is:

3.1 Both parties agree that Party B shall arrange its parent company *Australia China Holdings Limited* to issue a total of 50 million (50,000,000) shares, at AUD 0.02 per share, to Party A or its designated beneficiaries, and the total price being AUD one million .

3.2 The contractual period for Party A's operating lease on Party B's land (the Land of the joint venture project company) has been extended from July 31, 2010 to February 28, 2011, and the contract fee for the extension period is AUD 3 million . Before the set up of the joint venture project company, the contract fee should be received by Party B or its Hong Kong subsidiary for the whole amount, which is independent from the joint venture company, and Party A agrees that this fee could be used to set off the balance equity transfer amount of AUD 3 million which should be paid by Party B to Party A.

3.3 Party B could arrange the payment time and the payment method for above mentioned amount according to the actual situation and the development and progress of the project.

4. Both parties agree that the profit sharing of the joint venture project company should be implemented after the adjusted equity proportion adjustment under this contract.

5. All other matters should be implemented according to the Land Transfer Contract.

Inner Mongolia Kudouzi Investment Company Limited  
(Signed and stamped)

Australia China Land Holdings Limited  
(Signed and stamped)

10 August 2010

## 补充协议书

协议当事方：

内蒙古苦豆籽投资有限公司（甲方）

联络地址：中国呼和浩特经济技术开发区金川如意区

澳华地资源控股有限公司 （乙方）

Australia China Land Holdings Limited

双方经过友好协商，同意就双方于 2010 年 1 月 27 日签署的内蒙古土地使用权转让合同（土地转让合同）补充如下：

1. 依据土地转让协议，甲方将其持有的位于内蒙古达拉特旗乌兰乡合共三万二千亩集体土地使用权（双方同意土地价值为人民币四亿元）转让给乙方，并将该土地转让至双方于内蒙古鄂尔多斯注册经营土地的合资项目公司名下，乙方已支付全部土地转让金澳币 71,613,288（折合人民币 3.6 亿），即乙方占 90%的合资公司股权，甲方占 10%的股权。

2. 现双方同意乙方以澳币肆佰万元再购买甲方持有的合资项目公司 5%的股权，即项目公司股权比例调整为甲方占 5%，乙方占 95%。

3. 股权转让款澳币肆佰万元付款方式为：

3.1 双方同意乙方安排乙方母公司澳华控股有限公司（Australia China Holdings Limited）以每股澳币 2 仙发出合共五千万股（50,000,000 股）股票给予甲方或其指定受益人，作价为澳币壹佰万元。

3.2 甲方承包经营乙方土地的时间由 2010 年 7 月 31 日延长至 2011 年 2 月 28 日，延长期间的承包费共澳币三百万元，在合资项目公司未成立前，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澳币三百万元的股权转让款。

3.3 上述项付款方式之支付时间，乙方可按实际情况及项目启动进展安排。

4. 双方同意合资的项目公司盈利分成按照双方在本协议下调整后的股权比例执行。

5. 其他事项依据土地转让合同执行。

内蒙古苦豆籽投资有限公司

2010 年 8 月 10 日

澳华地资源控股有限公司





# Asset Appraisal Limited

## 資產評值顧問有限公司

Rm 1303 13/F Beverly House  
No. 93-107 Lockhart Road Wanchai HK  
香港灣仔駱克道 93-107 號  
利臨大廈 13 樓 1303 室  
Tel: (852) 2529 9448 Fax: (852) 3521 9591

Date : 27 May 2007

The Board of Directors  
Sun Tech Group (Listed in Australia)  
6/F., The Chinese Club Building  
21 Connaught Road  
Central, Hong Kong

Dear Sirs,

Re: A Parcel of Agricultural Land (Plantation Ground) situated at the south of Ji Ba Highway(吉巴公路), Da Qi Wu Lan Xiang Wu Lan Cun (達旗烏蘭鄉烏蘭村), Inner Mongolia Autonomous Region, the People's Republic of China ("the PRC")

### INSTRUCTIONS

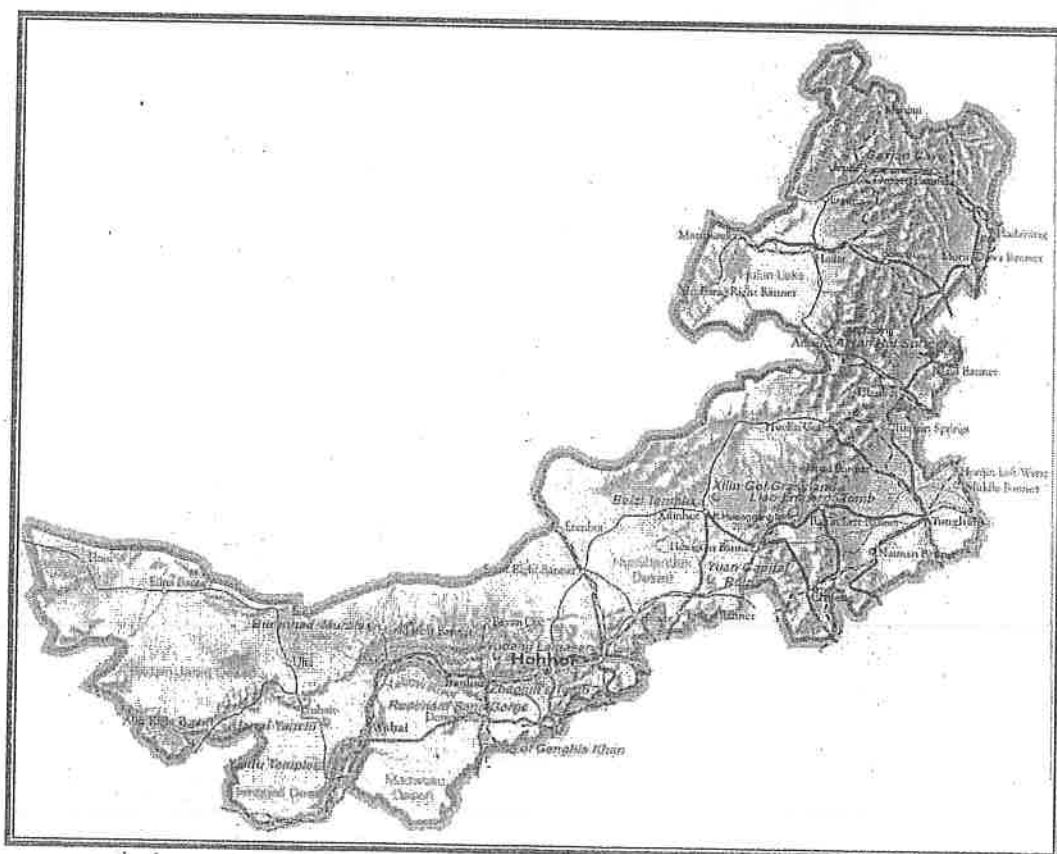
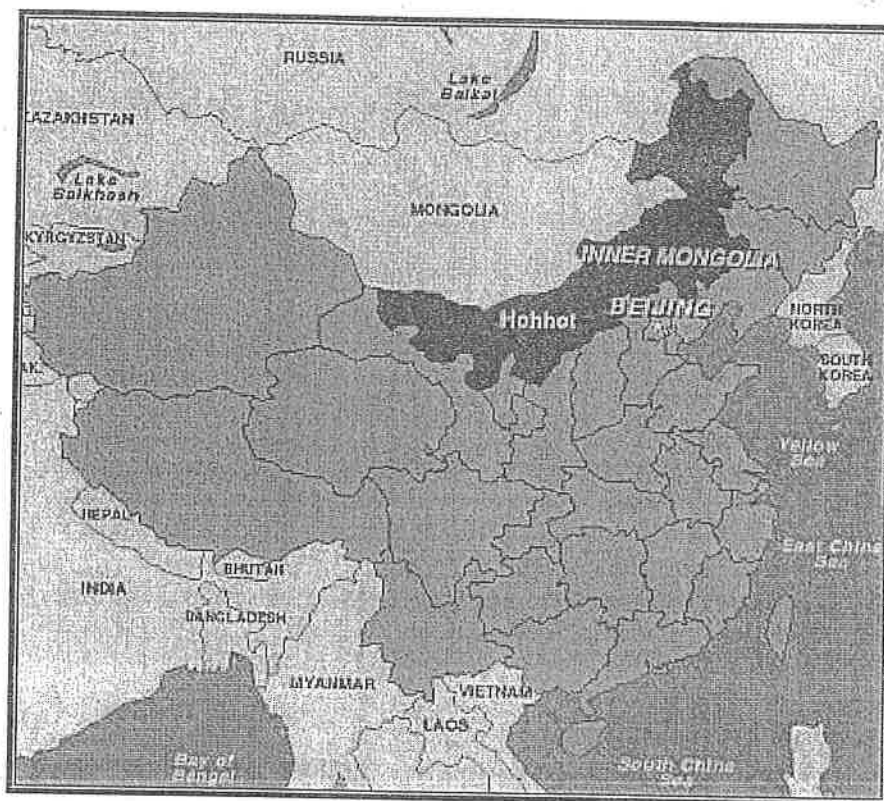
In accordance with the instructions from Sun Tech Group (Listed in Australia) (referred to as the "Company") to value the captioned property (referred to as the "Property"), we confirm that we have carried out inspections of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the capital value of the Property as at the date of this valuation report (referred to as the "Valuation Date") for internal reference purposes.

### PROFILE OF INNER MONGOLIA AUTOMONMOUS REGION

Inner Mongolia Autonomous region with a population of about 23,790,000 is stretching some 2,900 km across north-northeastern China. It has an area of 1,177,500 sq km and its capital is Hohhot. Mongols and Chinese make up the bulk of the population, most of which is concentrated in the agricultural belt near the Yellow River. Inner Mongolia is an inland plateau lying at an elevation of about 1,000 metres. It is fringed by mountains and valleys. Its northern portion lies within the Gobi Desert, and its southern border is partly marked by the Great Wall. Inner Mongolia was separated from Mongolia (Outer Mongolia) in 1912 and was established as an autonomous region in 1947.

Inner Mongolia is largely steppe country that becomes increasingly arid toward the Gobi Desert in the west. The climate is continental with cold dry winters and hot summers. Stockraising, mainly of sheep, goats, horses, and camels, is a major occupation; wool, hides, and skins are important exports. Rainfall is scanty, but irrigation makes agriculture possible, and much grazing land has been converted to raising spring wheat. The main farming areas are in the bend of the Yellow River and in the Hohhot plains.

The Mongols of China are concentrated in the Inner Mongolian Autonomous Region, but there has been much Chinese immigration and the Mongols now comprise less than 20% of the population. The Chinese live mostly in the farming areas. Many of the traditionally nomadic Mongols have settled in permanent homes as their pastoral economy was collectivized.





Farming of crops such as wheat takes precedence along the river valleys. In the more arid grasslands, herding of goats, sheep and so on is a traditional method of subsistence. Forestry and hunting are somewhat important in the Daxingan (Greater Khingan) ranges in the east. Reindeer herding is carried out by Evenks in the Evenk Autonomous Banner.

Inner Mongolia has abundance of mineral reserves. More than 120 kinds of minerals of the world's total 140 kinds have been found in the region, five of which have the largest deposits in The PRC and 65 of which rank among the top ten of their kinds in the country. The reserves of rare earth amount to 84.59 million tons, or 80 percent of the world's total and over 90 percent of the country's total. The proven deposits of coal hit 224.75 billion tons, the second largest in the country. The region has large reserves of ferrous metals, non-ferrous metals, precious metals, and industrial chemicals, and non-metal minerals. It also has abundant oil and natural gas and 13 large oil and gas fields have been discovered with expected oil reserves of 2-3 billion tons and gas reserves of 1,000 billion cubic meters. The minerals (excluding oil and natural gas) in the region have a potential value of 13,000 billion yuan, accounting for 10 percent of the country's total volume and ranking as the third largest in the country. However in the past, the exploitation and utilisation of resources were rather inefficient, which resulted in poor returns from rich resources. Inner Mongolia is also an important coal production base in north China. It plans to double annual coal output by 2010 (from the 2005 volume of 260 million tons) to 500 million tons of coal a year.

Industry in Inner Mongolia has grown up mainly around coal, power generation, forestry-related industries, and so forth. Inner Mongolia now laid emphasis on six competitive industries, namely energy, chemicals, metallurgy, equipment manufacturing, processing of farm (including dairy) produce as well as hi-tech products. Well-known Inner Mongolian enterprises include companies such as ERDOS, Yili, and Mengniu.

The nominal GDP of Inner Mongolia in 2005 was 382.28 billion yuan (US\$47.2 billion), a growth of 21.6% from 2004. It was also 120% higher than that in 2000, with an average annual increase of 16.6%. Its per capita GDP exceeded 15,500 yuan (US\$1,900). Inner Mongolia's primary, secondary, and tertiary industries were worth 60.01 billion yuan, 168.51 billion yuan, and 153.76 billion yuan respectively. The urban per capita disposable income and rural per capita net income were 9,130 yuan and 2,980 yuan, up 78% and 46% respectively.

The region's industries, centered at Baotou, include iron and steel mills and plants producing fertilizer, cement, textiles, and machinery. A railway built in 1958, linking Russia (through Mongolia) with Lanzhou in Gansu province, passes through Hohhot and Baotou. The Beijing-Ulaanbaatar road traverses the region. Considerable additional road and rail improvements have been made with the vigorous industrialization of Baotou.

The region has 7.22 million hectares (17,840,937 acres) of cultivated land, or 6.11 percent of the country's total, 86.66 million hectares of grasslands, or 73.3 percent of the country's total, and 18.66 million hectares of forests, 15.8 percent of the country's total.

Owing to its special geological condition, Inner Mongolia features a harsh eco-environment. In recent decades, the greenhouse effect and unscientific exploitation have aggravated drought, desertification, and soil erosion. The desertified land and the potential ones cover 60 percent of the regional area and are increasing 670,000 hectares per year.

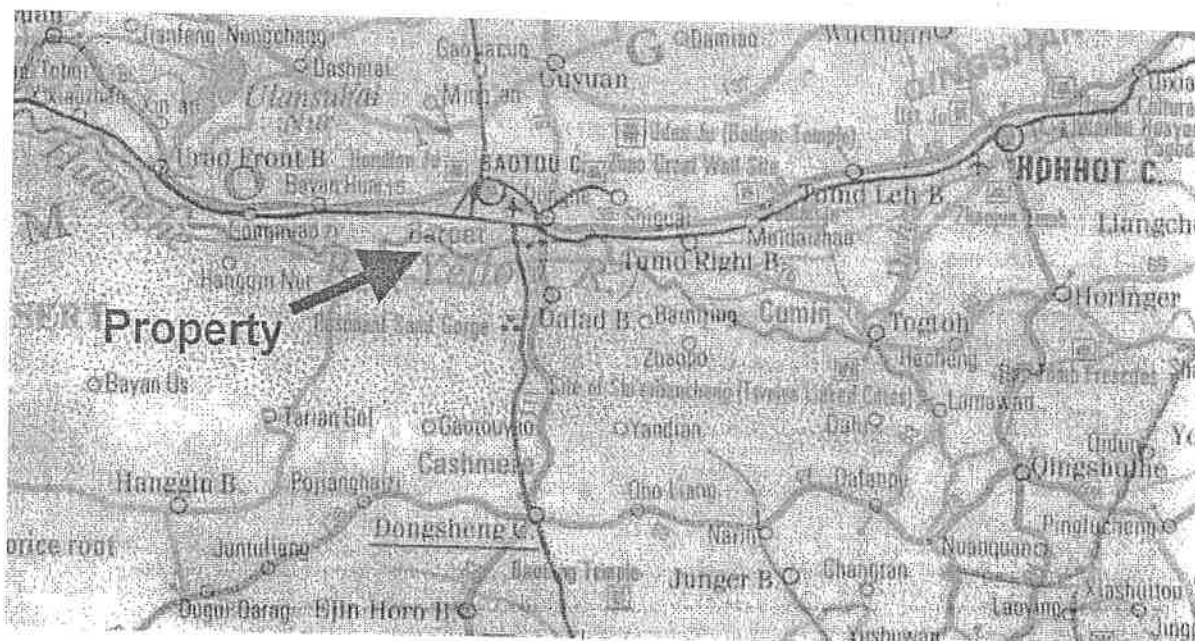
## DESCRIPTION OF THE PROPERTY

The Property comprises a parcel of farmland stretching over a plantation base and is lying at the south south of Ji Ba Highway(吉巴公路), Da Qi Wu Lan Xiang Wu Lan Cun (達旗烏蘭鄉烏蘭村), Inner Mongolia Autonomous Region, the People's Republic of China ("the PRC"). The area is lying along the river bank of the Yellow River and command relative flat terrain despite low sand dunes are scattering over it.

As stated in the Collectively-owned Land Use Certificate (集體土地使用証) (Ref No.達集用(2000)字第 00001 號) dated 8 May 2000, the particulars of the Property are set out as follows:

- i. site area : 32,000 mous (21,333,440 square metres)
- ii. permitted use : Agriculture
- iii. land use right term expiry : 31 December 2049

The subject land is currently a parcel of agricultural land and is designated as a plantation base for planting Sunflower and oil crops, *Ricinus Communis L.*, Kudouzi (*Sophora Alopecuroides*).





## **DECLINE IN ARABLE LAND IN THE PRC**

The PRC lost 4.6 million mu (307,000 hectares, one hectare equals 15 mu) of arable land between October 2005 and October 2006, bringing it a step closer to the critical 1.8 billion mu warning level, the Ministry of Land and Resources said yesterday.

A statement issued by the ministry showed that the country had 1.83 billion mu of arable land at the end of last October, or 1.39 mu per capita. The country lost land to construction or other purposes, natural disasters and reforestation. Premier Wen Jiabao stressed in his government work report last month that the country must ensure that its arable land never shrinks to less than 1.8 billion mu.

Rapid urbanization and the country's burgeoning economic expansion have sped up the loss of arable land. The authorities have taken a series of measures this year to curb both investment in the overheated fixed-assets sector and the rampant expropriation of illegal arable land by local governments. The ministry issued two catalogues last year specifying which projects were either restricted or banned. The construction of villas, golf courses and race tracks that take up large amounts of land are strictly barred on arable land.

Experts have warned that The PRC's arable land might drop below the red line of 1.8 billion mu (120 million hectares) in six years' time due to rampant illegal use. The Ministry of Land and Resources recently announced the land use plan for this year, saying the area of cultivated land to be used for construction will be basically the same as last year. But official statistics show construction took up 289,000 hectares of farmland last year, slightly more than the planned 267,000 hectares. The area of arable land has shrunk by 307,000 hectares in the past year.

Retaining 120 million hectares of arable land until 2020 is the bottom line to guarantee its food safety. With nearly 500 million tons of grain produced from the current 122 million hectares of cultivated land, The PRC has been able to just meet the food demand of 1.3 billion people. As the total population will keep growing, food supply for so many people can only be met with the retention of 120 million hectares of farmland. Once farmland is used for construction, it is difficult to recover.

The PRC's farmland has been shrinking fast in the past few years. During the 10th Five-Year Plan (2000-05), the annual loss of arable land was 1.23 million hectares. The 11th Five-Year plan (2006-10) has vowed to keep at least 120 million hectares of cultivated land by 2010, which means the annual loss of arable land should be less than 433,000 hectares. But the central government wants the red line to be safe until 2020. Insiders speculate that this might be the reason the land utilization plan for 2006-20, which the ministry started drafting in July 2005, has still not been approved. Difficulty lies in the implementation of the policy at local levels.

## **BASIS OF VALUATION AND LIMITING CONDITIONS**

The capital value of the Property has been arrived at on the basis of "Market Value" which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the Property. Market Value is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the asset for continuation of current operations and implementation of its business plans.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspections of the Property. However, we must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services the Property. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the developments.

We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We have also sought confirmation from the instructing party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

## VALUATION METHODOLOGY

The Property has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

During the course of our analysis, we have made reference to the following comparable transactions involving land of similar permitted uses situated nearby the Property:

S & P Agreement Date	Land Use Right Cert. No.	Land Area (Approximates)		Consideration RMB	Unit Price RMB/mu	Purchaser
		Mu	Sq.km.			
2004/4/25	12712495	40,000	26.667	380,000,000	9,500	Han Zhong Holdings Limited
2006/1/28	12712493	33,000	22.000	398,000,000	12,061	Shanghai Futian Investment Limited

We have also counter-checked our results from the comparison method by the income approach technique known as the **Discounted Cash Flow (DCF)** Method. Under this method, the value depends on the present worth of future economic benefits to be derived from ownership of the Property. Thus, an indication of value was developed by discounting future **Free Cash Flows (FCF)** available for distribution to owner of the Property to their present worth at market-derived rates of return appropriate for the risks and hazards of the business of the Property.

A major requirement of the DCF method is an earning forecast. A cash flow model has been developed for use in projecting the future free cash flows for the Property. We have taken into consideration the representation, information and future business development plan presented to us by the management of the Company in formulating the basis and many associated assumptions for the cash flow model.

In our DCF model, we have made projections up to year 2036 and we have derived the annual FCFs up to year 2036 accordingly. We then calculated the Operating Value of the Company by discounting the annual FCFs to present values. The Fair Market Value of the Property is then arrived at by adding up all the present values of FCFs.

The calculation of FCF is started with the assessment of **Net Operating Profit Less Adjusted Tax (NOPLAT)** which represents the annual net income of the business operations of the Property after tax disregarding any tax shield derived from the debt of the Company. Given the NOPLAT, FCF

for that year can be deduced by adding depreciation and subtracting change in working capital and capital expenditure for the same year.

In addition to the assumptions mentioned above, we have further adopted the following assumptions in our cashflow model:

- i. the Property shall yield 1 kilogram of Kudouzi or 1.5 kilograms of oil crops per square metres of land area per annum;
- ii. seed sowing shall only be needed once in a 10-year interval;
- iii. harvesting of Kudouzi and oil crops shall be taken place one time every year;
- iv. capital investment totaling RMB48 million is required for site formation works and acquisition of production equipment and no further capital investment would be needed throughout the projection period;
- v. working capital of approximately RMB 1 million is added to the operations in the first year and no further working capital is assumed throughout the projection period; and
- vi. all Kudouzis and oil crops to be yield from the Property shall be adsorbed by the market and hence no stockpiling is assumed in our cashflow model.

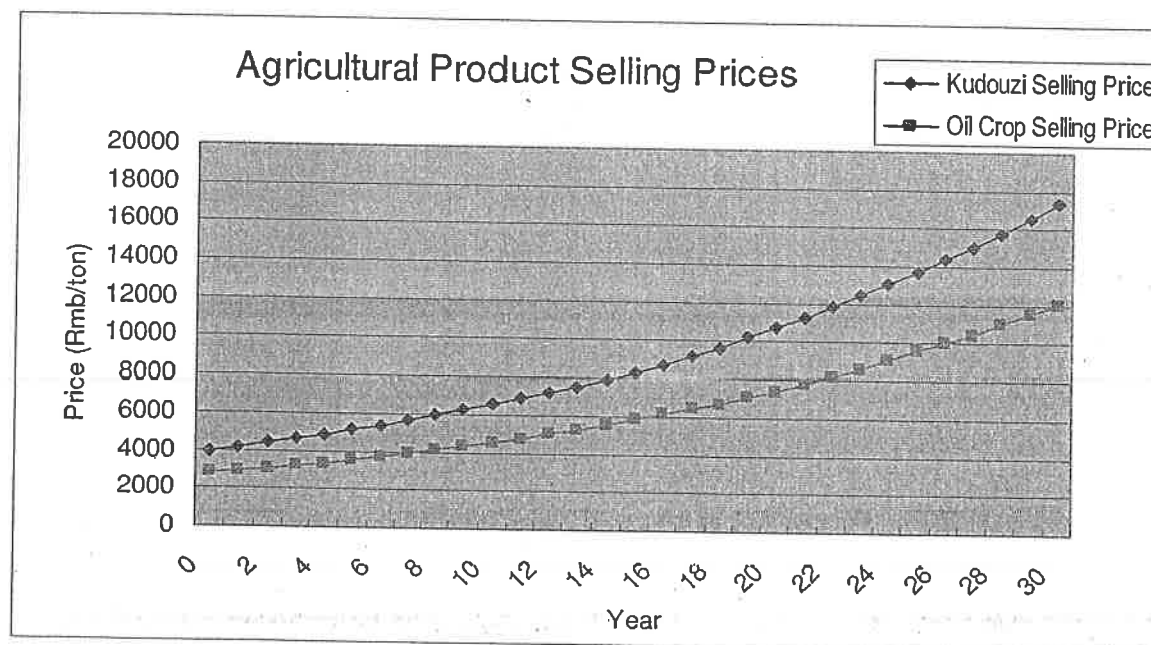
The current selling prices of Kudouzi and oil crops are RMB4,000 per ton and RMB2,800 per ton respectively. Since the selling price constitutes a major factor affecting the profitability of the operations, we have forecast the future selling price using Monte Carlo Simulation based on the following model:

$$dX_{t+1} = X_t \mu dt + X_t \sigma dW_t$$

where:

$dX_{t+1}$  is the change in selling price for the period;  
 $X_t$  is the selling price for the previous period ( $X_0$  being the selling price of 2006);  
 $dt$  is the time span for each period (1 year is adopted in our model);  
 $\sigma$  is the volatility of selling price for the forecast period (10% p.a. is adopted in our model);  
 $\mu$  is the drift parameter (5% per annum is adopted in our model); and  
 $dW_t$  is the standard Wiener process

Our simulation results using 1,000 iterations are shown as follows:



## Asset Appraisal Limited

資產評估顧問有限公司

Sun Tech Group (Listed in Australia)

As far as the discount rate is concerned, it is the expected rate of return that an investor would have to give up by investing in the subject investment instead of in available alternative investments that are comparable in terms of risk and other investment characteristics.

Cost of equity is developed through **Capital Asset Pricing Model (CAPM)**. The model postulates that the opportunity cost of equity is equal to the return on risk-free securities plus the company's systematic risk ( $\beta$ ) multiplied by the market price of risk (market risk premium). The equation adopted by the model is as follows:

$$R = R_f + \beta (R_m - R_f)$$

where

$R$  = cost of equity;

$R_f$  = Risk-free rate of return (yield to maturity of 10-year US Treasury Note is adopted in our calculation)

$\beta$  = systematic risk of the equity

$R_f - R_m$  = market risk premium

## CONCLUSION OF VALUE

Based upon the investigation and analysis outline above and on the appraisal method employed, it is our opinion that as of the date of this report, the Market Value of the Property with the benefit of vacant possession and free from any encumbrance is reasonably represented by the sum of **Renminbi Four Hundred and Eighty Million Only (RMB480,000,000)**.

This report is issued subject to our General Service Conditions as attached.

Yours faithfully,

For and on behalf of

Asset Appraisal Limited



**TSE Wai Leung**

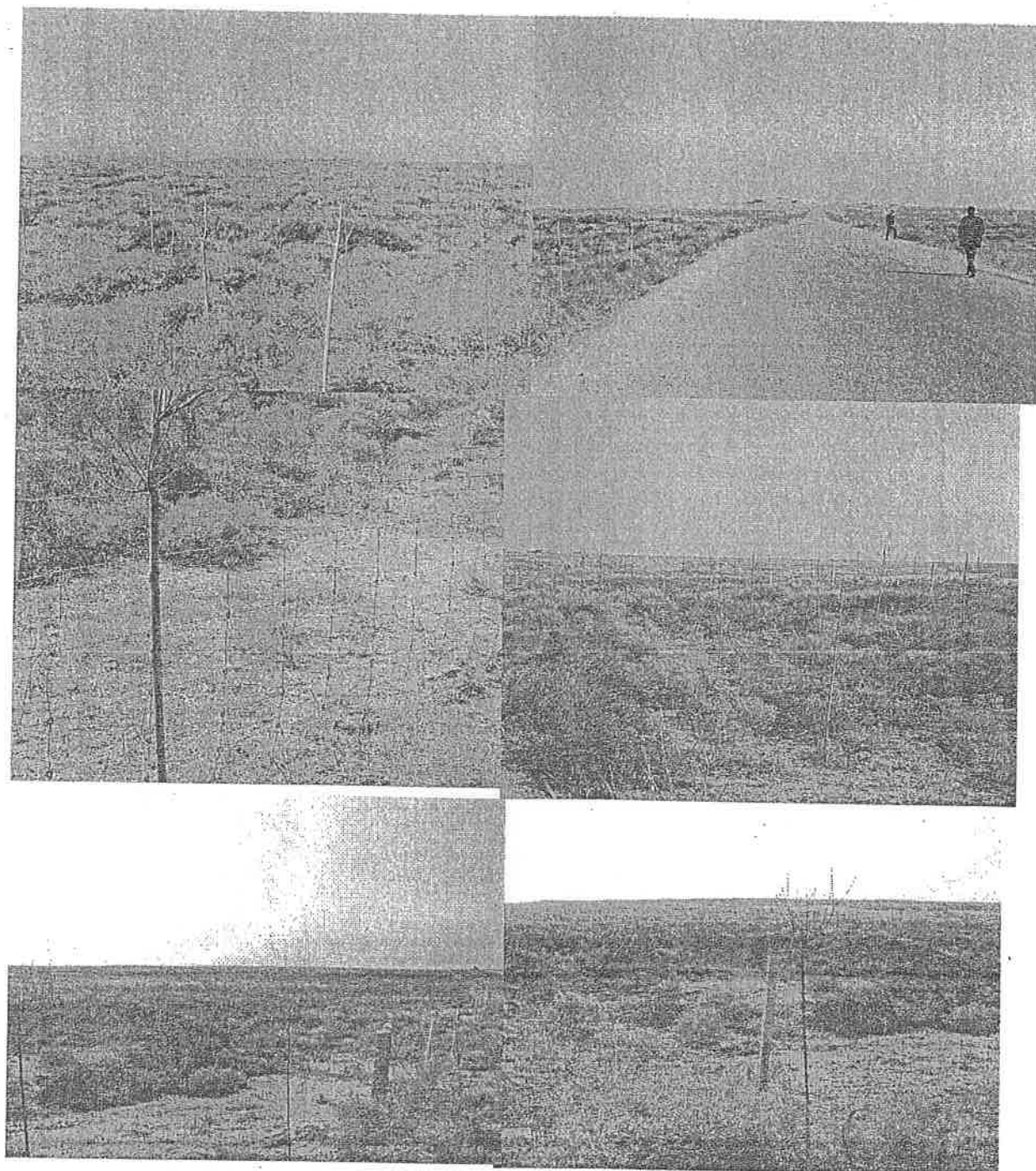
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Director

**Asset Appraisal Limited**  
資產評估顧問有限公司

**Sun Tech Group (Listed in Australia)**

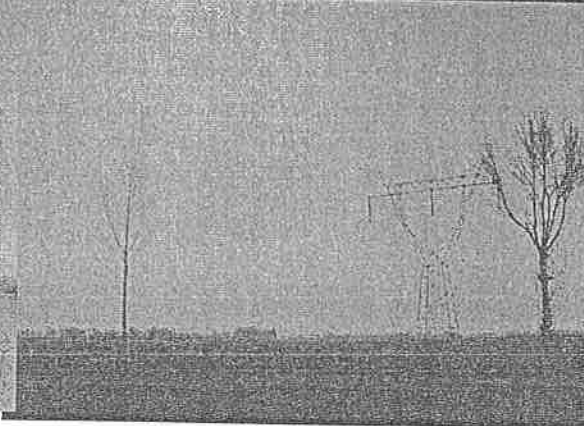
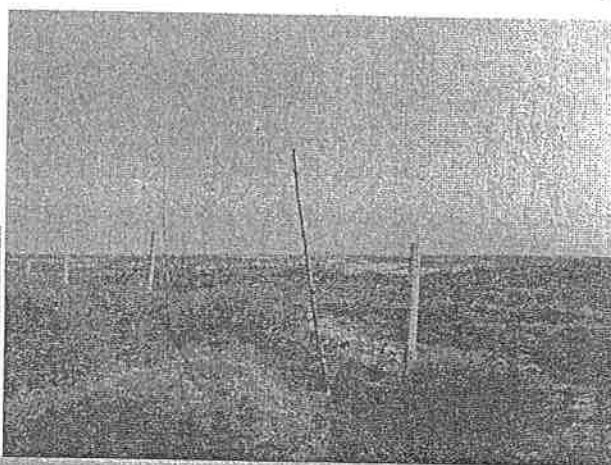
## **PHOTOS OF THE PROPERTY**





**Asset Appraisal Limited**  
資產評值顧問有限公司

**Sun Tech Group (Listed in Australia)**





# Asset Appraisal Limited

## 資產評估顧問有限公司

Rm 1303 13/F Beverly House  
No. 93-107 Lockhart Road Wanchai HK  
香港灣仔道93-107號  
利達大廈13樓1303室  
Tel: (852) 2529 9140 Fax: (852) 9521 9591

Date: 22 May 2008  
The Board of Directors  
Sino Dragon International Limited  
6/F., The Chinese Club Building  
21 Connaught Road, Central, Hong Kong

Dear Sirs,

Re: A Parcel of Agricultural Land (Plantation Ground) situated at the south of Ji Ba Highway(吉巴公路), Da Qi Wu Lan Xiang Wu Lan Cun (達旗烏蘭鄉烏蘭村), Inner Mongolia Autonomous Region, the People's Republic of China ("the PRC")

Reference is made to your instructions for us to assess the market value of the captioned property (the "subject land") for the internal reference purpose. As stated in the Collectively-owned Land Use Certificate (集體土地使用証) (Ref No.達集用(2000)字第00001 號) dated 8 May 2000, the particulars of the subject site are set out as follows:

- i. site area : 32,000 mous (21,333,440 square metres)
- ii. permitted use : Agriculture
- ii. land use right term expiry : 31 December 2049

The subject land is currently a parcel of agriculture land for plantation.

Based on our opinion, the current market value of the subject land is in the order of Renminbi Five Hundred Million Only (RMB500,000,000) subject to the following assumptions:

- (a) The subject land is in vacant possession and free from any encumbrances and adverse possession by third parties;
- (b) The subject land can be used as plantation base for all type of agricultural products other than Kudouzi; and
- (c) The land use rights in the property in whole or in part can be freely transferred, leased, charged, mortgaged or otherwise disposed of to any third parties subject to no land premium payable to and prior approval from the Government.

Kindly note that the above market value of the subject land is our preliminary estimate for indication purpose only and is subject to our formal valuation report to be issued to your Company.

Yours faithfully,  
For and on behalf of  
Asset Appraisal Limited

TSE Wai Leung  
MRICS MHKIS RPS(GP)  
Director



### Limiting Conditions

In accordance with your instructions, we provide our opinion on the market value of the subject land for your auditing purposes. For this valuation, neither site investigation nor geological assessment has been conducted to investigate if the subject land is suitable to be used for the purpose as designated.

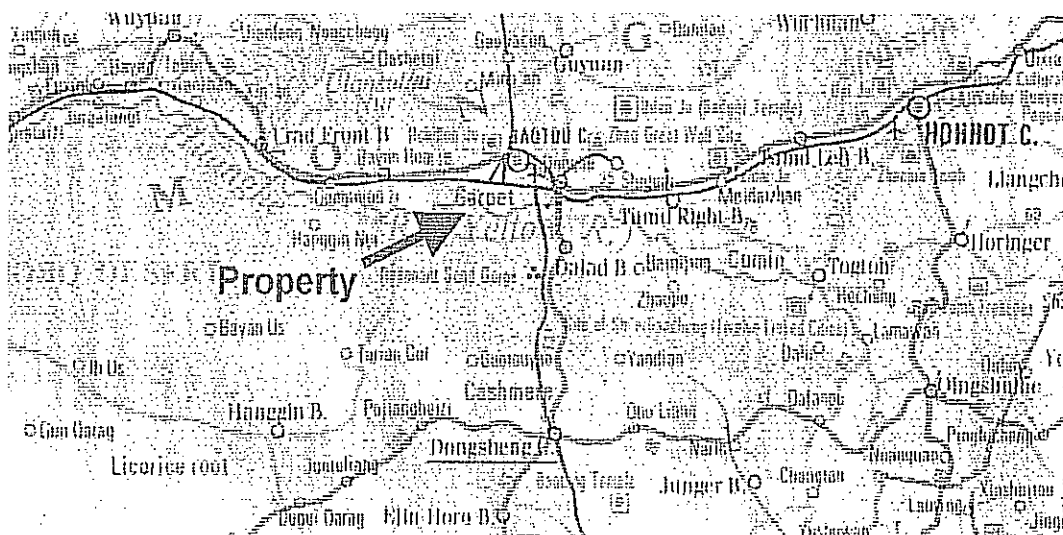
In accordance with our standard practice, this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We have relied, to a considerable extent, on the information provided by the instructing party and have accepted advice given to us by the instructing party on such matters as easements, tenure, occupation, floor/ site area, internal condition and in the identification of the subject land. We accept no liability if the provided information is proved to be inaccurate.

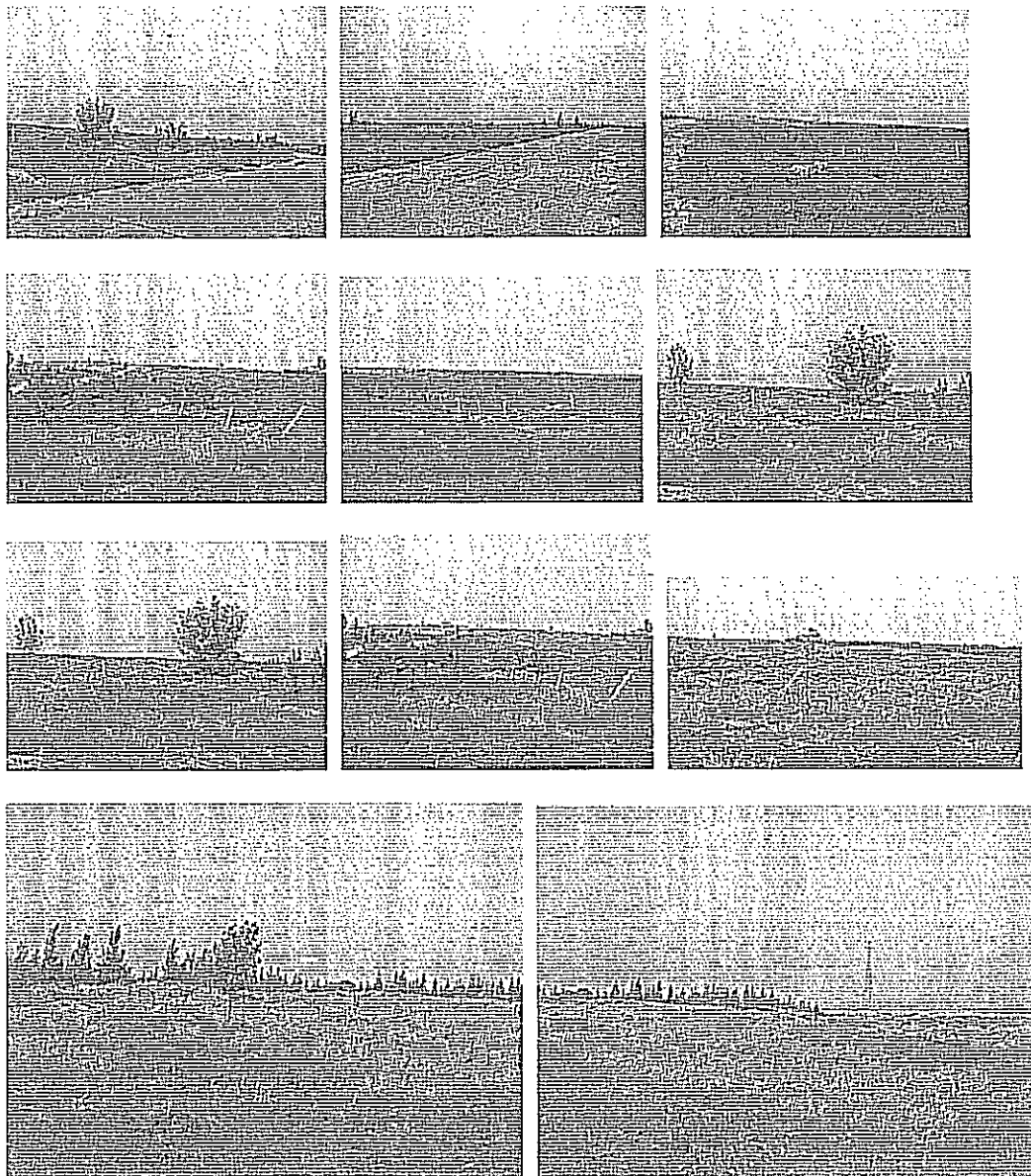
### Basis of Valuation

Our valuation is carried out on a market value basis. Market value is defined as "the amount for which an asset could be exchanged, or a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction."

### Location of the Subject Land



**Photos of the Subject Land**



**Land Use Rights Certificate of the Subject Land**

集体土地使用证



012712433

“根据《中华人民共和国土地管理法》第十一条规定，农民集体所有的土地依法用于非农业建设的，由县级以上人民政府登记造册，核发证书，确认建设用地使用权。”

“根据《中华人民共和国土地管理法》第十二条规定，依法改变土地权属和用途的，应当办理土地变更登记手续。”

“根据《中华人民共和国土地管理法》第十三条规定，依法登记的土地的所有权和使用权受法律保护，任何单位和个人不得侵犯。”

农民集体所有的土地依法用于非农业建设的，由县级以上人民政府登记造册，核发证书，确认建设用地使用权。

——摘自《中华人民共和国土地管理法》第十一条

依法改变土地权属和用途的，应当办理土地变更登记手续。


——摘自《中华人民共和国土地管理法》第十二条

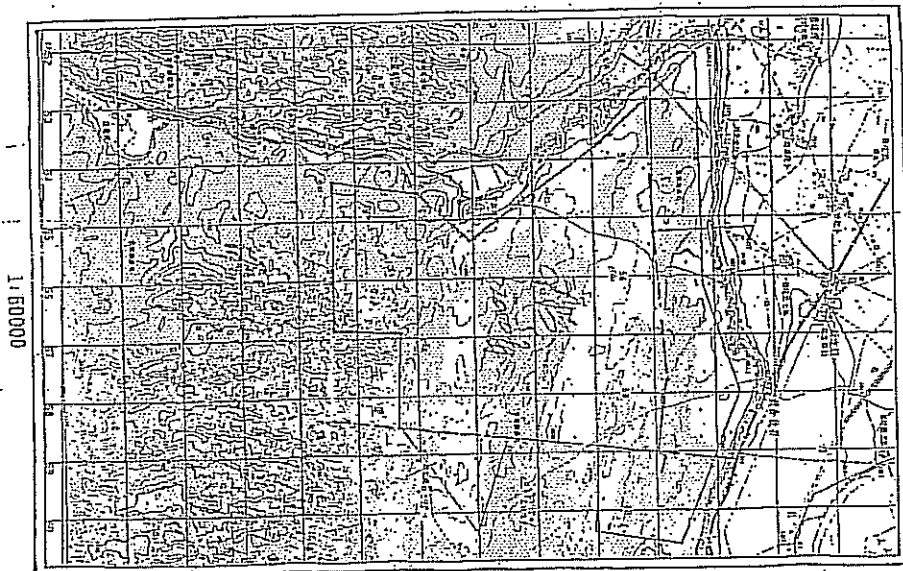
依法登记的土地的所有权和使用权受法律保护，任何单位和个人不得侵犯。

——摘自《中华人民共和国土地管理法》第十三条

根据国家法律、法规及政策规定，由土地使用者申请，经调查审定，准予登记，发给此证。



土地使用者	內蒙古華能投資有限公司		
土地所有權	東勝烏蘭沙地村		
地號	冰科卜色太河寺、老西台路南		
地號	24-23-123-111	地號	24-23-123-111
用途	荒地	用途	荒地
使用權類型	承包	使用權類型	承包
使用權面積	32450 ㎡		
其中共用分地面積			
備註	 內蒙古華能投資有限公司 2004年11月11日		



內蒙古華能投資有限公司承包烏蘭沙地村荒沙地地理位置(四至界線)圖



22 December 2016

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](mailto:sec@aakch.com)

Dear Mr Sek,

**Australia China Holdings Limited (the "Company")**

ASX Limited ("ASX") refers to the following;

A. The Company's announcement entitled "Acquisition of Land for Bio-diesel Project – update" released on the ASX Market Announcements Platform on 31 May 2007 in relation to securing rights to a piece of land located in Inner Mongolia suitable for growing oil crops for use in the bio-diesel industry ("Farm Land") and the payment of an initial refundable deposit of an amount not specified in the announcement.

B. Note 8 of the Company's Financial Statements for the year ended 31 March 2008 released on the ASX Market Announcements Platform on 1 July 2008 indicating that Sino Dragon International Limited ("SDI"), a controlled entity of the Company, had paid a deposit totalling A\$29,054,000 to acquire the Farm Land and stating that:

*"The title transfer for such transfer will be effected once SDI pays a substantial amount of the purchase consideration. As a result the transfer is not expected to be completed within the next 12 months. In addition, the land is valued by an independent and qualified valuer, Asset Appraisal Limited at the fair value of RMB500 million equivalent to A\$76,084,000 as at 22 May 2008. (the cost to SDI is RMB 400 million or A\$64,000,000)"*

C. Note 12 of the Company's Financial Statements for the year ended 31 March 2009 released on the ASX Market Announcements Platform on 30 June 2009 indicating that SDI had paid additional deposits totalling A\$52,208,524 to acquire the Farm Land and stating that:

*"The title transfer will be effected within the next 12 months. On 22nd May 2008, the land was valued by an independent and qualified valuer, Asset Appraisal Limited who valued the land at RMB500 million (or equivalent to A\$106.85 million as at 31st March 2009). The cost is RMB 400 million (or equivalent to A\$85.48 million as at 31st March 2009)."*

D. Note 13 of the Company's Annual Report for the year ended 31 March 2010 released on the ASX Market Announcements Platform on 30 June 2010 stating that:

*“During the financial year, Australia China Land Holdings Limited (ACLH), a controlled entity of Australia China Development Limited, which is wholly owned by the Parent Entity entered into a contract to acquire 90% interest in a 2,133 hectares farmland situated in Inner Mongolia. The total consideration for such acquisition in \$71,613,288.*

*ACLH is in the process of registering the title of this farmland. It has been agreed that the title of the farmland be registered into a China Incorporated Joint Venture Company, which the ACLH would have 90% interest, while the Chinese partner will have 10% interest. It is estimated that the incorporation of this new China Incorporated Joint Venture Company will be completed on 31<sup>st</sup> December 2010 and the title registration of the said farmland into this new China Incorporated Joint Venture Company will be completed within 90 days after the formation of the joint venture company. The farmland was valued by an independent and qualified valuer who handles numerous valuations of properties in China for listed companies in Hong Kong. The valuation company is Asset Appraisal Limited and the value of the farmland as at 22nd May was RMB 500 million, which is higher than the purchase price. Since acquisition of the farmland. It was leased back to the vendor for the period up to 30th June 2010.*

*Given there are conditions yet to be met for the registration of the China Incorporated Joint Venture Company, there will be a delay in the transfer of the land title to the Joint Venture Company”.*

- E. The Company’s announcement dated 26 November 2010 released on the ASX Market Announcements Platform on 29 November 2010 indicating that the Company had acquired a further 5% interest in the Farm Land for a purchase price of A\$4 million.
- F. Note 13 of the Company’s Annual Report for the year ended 31 March 2011 released on the ASX Market Announcements Platform on 15 June 2011 stating that:

*“As at 31st March 2011, ECO Agriculture Group Limited (ECO), a controlled entity of Australia China Development Limited, which is wholly owned by the Parent Entity entered into a contract to acquire 95% interest in a 2,133 hectares farmland situated in Inner Mongolia. The total consideration for such acquisition is A\$73,098,290 after a provision for the exchange loss of A\$2,514,998.*

*ECO is in the process of registering the title of this farmland. It has been agreed that the title of the farmland be registered into a China Incorporated Joint Venture Company, which the ECO would have 95% interest, while the Chinese partner will have 5% interest. It is estimated that the incorporation of this new China Incorporated Joint Venture Company will be completed on 30th June 2011 after the payment of registrar fee and other charges totalling about USD1,000,000. The title of the registration of the said farmland into this new China Incorporated Joint Venture Company will be completed within 90 days after the formation of the joint venture company”. The farmland was valued at RMB500,000,000 by an independent and qualified valuer who handles numerous valuations of properties in China for listed companies in Hong Kong.”*

- G. Note 14 of the Company’s Annual Report for the year ended 31 March 2012 released on the ASX Market Announcements Platform on 28 June 2012 stating that:
- “ECO is in the process of registering the title of this farmland to a China Incorporated Company, which ECO would have 95% interest, while the Chinese partner will have 5% interest. It is estimated that registration of the title will be completed by 31st March 2013 after the incorporation of this new China Incorporated Joint Venture Company.”*
- H. The Company’s response to ASX’s query letter dated 16 July 2012 released on the ASX Market Announcements Platform on 23 July 2012 stating the following:

*"The Vendor of the land, has been working very closely with the Company, and has given an undertaking to the Company that the registration of the title will be completed when the Company finally ascertains the best and most feasible way of proceeding. In the event that the title registration cannot be effected, the vendor undertakes to refund all the amounts paid to date. However, neither the vendor nor the Company can foresee any problems in registering the title once the Company has decided on the basis that it is ready to proceed. The Company is eager this matter on title registration be resolved by end of March 2013".*

- I. Note 14 of the Company's Annual Report for the year ended 31 March 2013 released on the ASX Market Announcements Platform on 26 June 2013 stating the following:

*"ECO-Agriculture Group Limited (ECO), a controlled entity of Australia China Development Limited, is in the process of registering the title of the farmland to a China Incorporated Company. It is estimated that the registration of the title will be completed by 31st March 2014 after the incorporation of the new China Incorporated Joint Venture."*

- J. Note 14 of the Company's Annual Report for the year ended 31 March 2014 released on the ASX Market Announcements Platform on 30 June 2014 stating the following:

*"ECO-Agriculture Group Limited (ECO), a controlled entity of Australia China Development Limited, is in the process of registering the title of the farmland to a China Incorporated Company. It is estimated that the registration of the company holding the title will be completed by 31st December 2014. Title registration will follow soon afterward on payment of the registration fee."*

- K. Note 14 of the Company's Annual Report for the year ended 31 March 2015 released on the ASX Market Announcements Platform on 30 June 2015 stating the following:

*"As at 31st March 2015 ECO-Agriculture Group Limited (ECO), a controlled entity of Australia China Development Limited, which is wholly owned by the Parent Entity entered into a contract to acquire 95% interest in a 2,133 hectares farmland situated in Inner Mongolia with the total consideration of \$75,613,290. It is in the process of registering the title of the farmland to a China Incorporated Company. Title registration will follow soon afterward on payment of the registration fee."*

- L. The Company's announcement entitled "Rights Issue Prospectus - revised timetable" released on the ASX Market Announcements Platform on 5 November 2015 in which the Company indicated A\$1,294,000 of the proceeds proposed to be raised under the 3 for 1 rights issue at an issue price of \$0.003 to raise up to \$3,766,000 (the "2015 Rights Issue") were allocated to "Payment for Inner Mongolia land title".

- M. The announcements entitled "Share Allotment and Issue" and "Issue of Shortfall Shares" released on the ASX Market Announcements Platform on 26 and 27 November 2015, respectively, disclosing that the Company had placed 1,255,365,285 shares raising approximately \$3,766,095.

- N. Note 14 of the Company's annual report for the year ended 31 March 2016 released on the ASX Market Announcements Platform on 30 June 2016 stating the following:

*"The title of the land will transferred to a joint venture company incorporated in China whereas the Group will hold 95% of the issued share capital of the joint venture company. As at 31 March 2016, the joint venture company is not yet incorporated and the title of the land is not yet transferred to the Group. The Group engaged Blesswin Investments Limited, one of the major shareholders of the company to manage the registration process and the title transfer. A fee A\$800,041 has been agreed*



*and paid to Blesswin on the condition that if the title transfer process is unsuccessfully, Blesswin will refund the agreed fee to the Group. ...*

*The company is confident that the joint venture company will be incorporated soon and the title transfer will take place within the next 3 months. According to the contract with the vendor, the vendor will refund the whole amount of deposit paid to the Group if the title transfer is finally failed."*

O. The Company's response to ASX's query letter dated 19 August 2016 released on the ASX Market Announcements Platform on 24 August 2016 ("2016 ASX Query Response") which indicated, amongst other things, that:

- the Company had met with and held meaningful discussions with the Chinese joint venture partners and have jointly met with the local village committee on the subject matter;
- the local authority has required the joint venture to submit an updated business plan on the intended land usage, and the joint venture has engaged a science and research institute in Beijing to prepare such report; and
- the Company had engaged Blesswin Investments Limited ("Blesswin") to expedite the process to incorporate the joint venture company and finalise the title transfer, with Blesswin being confident that the land title could be transferred within the next two months.

P. Note 10 of the Company's half year report for the half year ended 30 September 2016 released on the ASX Market Announcements Platform on 30 November 2016 stating the following:

*"The company is confident that the joint venture company will be incorporated soon and the title transfer will take place within the next 6 months. According to the contract with the vendor, the vendor will refund the whole amount of deposit paid to the Group if the title transfer is finally failed."*

### **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 relation to the party from whom the rights to the Farm Land were acquired (the “Counterparty”), please advise:
  - 1.1 the identity of the Counterparty;
  - 1.2 what information the Company has in relation to the Counterparty and its financial standing, commenting in particular on its capacity to repay the substantial deposit paid by the Company for the Farm Land;
  - 1.3 what information the Company has about the use the Counterparty has made of the substantial deposit paid by the Company for the Farm Land (for example, is it held in some form of secured deposit account in the joint names of the Company and the Counterparty or has the Counterparty been free to use that deposit for its own purposes?);
  - 1.4 whether the Counterparty has any relationship with the Company or any of its directors and, if so, full details of that relationship; and
  - 1.5 whether the Counterparty or any of its associates holds, or has held, a relevant interest in any of the Company’s securities and, if so, full details of that interest.
2. Was a written agreement entered into between the Company or a controlled entity of the Company and the Counterparty for the acquisition of the Farm Land? If so, please provide a copy. If not, why not?
3. Have the terms of the agreement for the acquisition of the Farm Land changed in any material respect since it was first entered into? If so, please provide full details of the changes and when they occurred.
4. Does the Company still regard the agreement for the acquisition of the Farm Land to be in full force and effect?
5. Please provide a detailed account of the steps the Company has taken to finalise the title transfer for the acquisition of the Farm Land from the date of the original announcement of that acquisition on 31 May 2007 to date and explain why the Company has repeatedly failed to meet the stated timeframes within which it expected the title transfer to be finalised.

6. Please describe in detail what steps, if any, the Company has taken to secure the repayment of the substantial deposit it has paid to the Counterparty in the event that the title transfer does “finally fail”.
7. Please provide a copy of each valuation report provided to the Company by Asset Appraisal Limited in relation to the Farm Land.
8. Of the funds raised under the 2015 Rights Issue, please specify whether any of the funds allocated to the registration of the Farm Land have been spent and, if so, provide full details of that expenditure.
9. Please explain why it has been necessary for the Company to engage Blesswin “to manage the registration process and the title transfer” and provide full details of the services are being provided by Blesswin to the Company and what the A\$800,041 fee being paid by the Company to Blesswin is to be used for.
10. Please advise whether Blesswin has any relationship with the Company (other than being a “major shareholder”) or any of its directors and, if so, full details of that relationship.
11. Please advise the extent of Blesswin’s shareholding in the Company.
12. Please advise whether Blesswin has any relationship with the Counterparty and, if so, full details of that relationship.
13. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
14. 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 5.00 pm. AEDT on Wednesday, 25 January 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)**