



# Australia China Holdings Limited

ARBN 067 993 506

Level 11, 32 Martin Place, Sydney, NSW 2000, Australia

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

Company Announcement Office  
Australian Stock Exchange Limited

By e-Lodgment

30th June, 2014

Dear Shareholders,

**Re: 2014 Audited Result & Annual Report of Australia China Holdings Limited ( "AAK" )**

We are pleased to provide the audited result of Australia China Holdings Limited for the year ended 31st March, 2014 as follows:

	31/03/2014 AU\$'000	31/03/2013 AU\$'000
Revenue	3,001	1,203
Profit before taxation and extraordinary items	417	320
Extraordinary Items	-	-
Profit after taxation and extraordinary items	417	320
Basic earnings per share (Aust ¢)	0.01¢	0.01 ¢

In compliance with ASX Listing Rule Section 4.7, we have elected a copy of AAK's 2014 Annual Report with ASX for record purpose. A copy of 2014 Annual Report will also be lodged with the Australian Securities & Investment Commission.

To support and protect our green environment, we have elected not to post the hard copy of 2014 Annual Report to shareholders. In compliance with the new legislation, the full version of 2014 Annual Report can be downloaded from our website. Our official website is [www.aakch.com](http://www.aakch.com).

If any shareholder wishes to receive a printed copy of the Annual Report mentioned above, please contact the Company Secretary by emailing to [sec@aakch.com](mailto:sec@aakch.com).

Yours faithfully,

For and on behalf of

Australia China Holdings Ltd

  
Stonely Sek  
Company Secretary



(ARBN 067 993506)

**Australia China Holdings Limited**

**澳華控股有限公司**

Listed in Australia 澳洲上市公司



2014 Annual Report

**AUSTRALIA CHINA HOLDINGS LIMITED**

**ARBN 067 993506**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014**

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## MESSAGE FROM THE CHAIRMAN

To Shareholders of Australia China Holdings Limited:

As the Chairman of Australia China Holdings Limited ("AAK") I am pleased to present to you the 19th Annual Report of AAK for the financial year ended 31st March 2014.

### Business Activities

AAK has reported a consolidated net profit after taxation of \$416,813 for the year ended 31st March, 2014, as compared to a consolidated net profit after taxation of \$320,155 for the year ended 31st March 2013.

The result is arrived at after taking into account of the provision for a claim of \$1,223,000 made for a guarantee provided by the Company; the provision of \$600,000 for additional loss on advance made by a group company; and the release of a provision made in 2011 of \$2,515,000 for possible exchange loss on deposits made which is now not necessary as a result of the recovery of the exchange rate of AUD against RMB. The Group's revenue for the current financial year was \$485,584 as compared to \$1,202,773 for the previous financial year, this is represented primarily by a decrease in rental income from its land holding.

The Group's activities continue to be in investment, agriculture, environmental, manufacturing, advisory and trading. For the financial year ended 31st March, 2014, the Group's main activity was the holding of a parcel of rural land situated in Inner Mongolia, near Baotou, and close to Beijing. This location has great potential for organic farming and other eco-products which is now in demand due to the improvement of living standards in China and its proximity to Beijing.

Given AAK's long experience in trading, since balance date AAK has been able to link up with a major trading company in China by taking an initial 20% equity interest in Supreme Star Limited ("Supreme") a marketing and agency company and this holding can be increased to 100% at the option of AAK. Supreme has a substantial sale net work in China and has also obtained the exclusive right to market and distribute a number of high value and popular products. AAK will be assisting Supreme to grow in both China and using AAK's network into other Asian countries. AAK is looking for positive contribution of revenue from this association in the coming financial year and will be used to further expand AAK's other trading operations. Meanwhile AAK continues to be in the investment, agriculture business and financial services.

### Business Outlook:-

With the expected support from the Chinese Government, the Directors are now looking forward to developing its land holding in Mongolia in early 2015. The Company is confident that it will grow by the development of new businesses in the following areas:

#### a) Trading and Health Food Businesses

There is now a much higher demand for quality imported products into China, and as such many more goods are being imported from overseas. The management has identified this as a growth area and intends to expand AAK's activities into securing food supplies from eco friendly areas around the world to meet the demand and thus increasing the income for the Group.

#### b) New Business Development

Our Group is reviewing new business opportunities with partners in and outside China to capitalise on the economic growth in China. I am hopeful new arrangements can be made and new funding obtained to support such expansion. Shareholders will be informed of new developments.



**MESSAGE FROM THE CHAIRMAN**

(Continued)

**Future Prospects**

With the view to enhance our business, we have spent considerable time and effort in negotiations with several potential parties to expand our trading business. The first step to make this possible has been the acquisition of the equity interest in the major trading company as outlined above. AAK will continue to look to take positions in other major trading entities with substantial networks in China. We are also looking for new investors who also have business opportunities for AAK. Your board is confident that AAK will be able to expand its trading and agriculture business and can enjoy the current economic growth in China and we look forward to report encouraging result in the next Annual Report



Nelson Chiu

Chairman

## DIRECTORS' REPORT

The Directors herein present their report and the audited financial statements of Australia China Holdings Limited (the "Parent Entity") and its Controlled entities (collectively known as the "Economic Entity") for the financial year ended 31st March 2014.

### Directors

The names of the Directors in office since the beginning of the financial year and at the date of this report are:

Nelson HS CHIU	Chairman
Mason MS Lam	Executive Director (Appointed on 26 <sup>th</sup> June 2014)
Michael MF CHAI	Director
Henry XB QIN	Independent Non Executive Director

### Information on Directors and Company Secretary

#### **Nelson CHIU**

M.B.A (Sydney University).

Mr. Chiu is the chairman of Australia China Holdings Limited since 1995 and is the founder of the Group. He has vast experience in business and management and has in depth understanding of China related businesses. The industries covered by Mr. Chiu included agriculture, trading, hospitality, construction, financial, property development, energy saving and environmental products. He holds a MBA degree from the University of Sydney, Australia.

#### **Mason LAM**

M.B.A (Asia International Uni.)

Mason obtained his MBA from the Asia International Open University (Macau) and holds a Diploma in Chinese Law from the University of East Asia. He holds a number of important positions in Government and Multi-national companies, including the Chinese people's Political Consultative Conference in Guangdong, the Chairman of Royal Properties Ltd. His extensive experience with multi-international companies and contacts in China will enable AAK and its partners to expand its business and identify new opportunities.

#### **Henry QIN**

M .Fin (UWS)

Mr. Qin is a Justice of Peace in Australia and holds a Master Degree in Applied Finance from the University of Western Sydney. He has 15 years managerial experience. He holds a number of important positions, including Executive Vice President of Australia-China Business & Professionals Association, Executive Member of Australian & China Finance and Investment Council.

#### **Michael CHAI**

Chartered Accountant (Malaysia)

Mr. Chai, a qualified Accountant, obtained his finance qualifications from the Curtin University of Technology, Western Australia. He has extensive experience in businesses and industries, including automotives, electrical and consumer products. He was a senior accountant and a company secretary with McGraw-Hill Far Eastern Publisher Sdn Bhd for over 10 years.

#### **Stonely SEK**

Certified Public Accountants ( Hong Kong)

Mr. Sek, a fellow of the Hong Kong Institute of Certified Public Accountants, was appointed the Company Secretary of Australia China Holdings Limited ("AAK") in 1995. He is responsible for AAK's secretarial and Corporate matters. He also monitors the various rules and regulations governing the Company

## DIRECTORS' REPORT (Continued)

### Share Capital

Details of share capital movements are disclosed in note 20 to the financial statements.

### Share options

The share options of Australia China Holdings Limited at the date of this report are as follows:

Date of Expiry	Exercise Price	Number of Share Options
30th December 2019	A\$2 cents	1,300,000,000

### Principal Activities

The principal activity of the Parent Entity remains unchanged as a holding company for its investment in controlled entities.

All the businesses of the Group are undertaken by the controlled entities and the principal activities of the Economic Entity during the financial year are:

- |                      |                      |                               |
|----------------------|----------------------|-------------------------------|
| a) Investment        | c) Trading           | e) Environmental Projects     |
| b) Property Holdings | d) Business Advisory | f) Energy Management Business |

### Operating Result

The consolidated profit after taxation and extraordinary items amounted to A\$416,813 (2013: A\$320,155). This includes the result of (a) the release of provision for exchange loss on foreign currency of A\$2,514,998 provided in 2011 which is not necessary due to the recovery of the exchange rate of AUD against RMB, (b) provision of loss on advance of A\$600,000, (c) the provision of loss on guarantee made of A\$1,222,641 and (d) the decrease of rental income.

### Dividends

The Economic Entity did not pay any dividends during the financial year and does not recommend the payment of any final dividends for the financial year ended 31st March 2014.

### Business Prospect

The Group continues to concentrate its business in China especially in trading and agriculture projects in Inner Mongolia .

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors have adhered to the principle of corporate governance. The Parent Entity's corporate governance statement is contained on pages 37 to 39 of this annual report.

### Australian Takeover Provisions

The Parent Entity is not subject to any takeover provisions of the Australian Corporation Law.

### Controlled Entities

Particulars of the Parent Entity's controlled entities are set out in Note 16 to the financial statements.



**DIRECTORS' REPORT (Continued)****Indemnification of Officer and Auditors**

The Parent Entity has not during the financial year, in respect of any person who is or has been an officer or auditor of the Parent Entity or a related body corporate, indemnified or made any relevant agreements for indemnifying against a liability incurred as an officer, incurring costs and expenses successfully defending legal proceedings. During the financial year, the Parent Entity did not pay a premium to insure the Directors and officers of the company for costs and expenses which may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of the Parent Entity. However, the Parent Entity will reimburse the current Directors for any claimed payments awarded against them and for legal cost defending any claims against them while they are directors of the Company or the Economic Entities.

**Directors' Meetings**

During the financial year ended 31st March 2014, the number of meetings at which Directors attended is as follows:

	<u>No. of meetings held</u>	<u>Meetings attended</u>
Nelson CHIU	15	15
Michael CHAI	15	13
Henry QIN	15	13

Mr. Mason Lam was appointed as a director of the Parent Entity on 26th June 2014 which is after 31st March 2014

**Remunerations**

As the Parent Entity is only a holding company for its investment in business ventures in China, Australia and elsewhere, all the Directors of the Parent Entity have always been paid a Director's fee and none of the Directors of the Parent Entity received any other remunerations from the parent entity. For the Directors who provide services to the controlled entities of the Parent Entity, they would receive remunerations in such entity based on the services rendered in those entity. This has been the policy of the Parent Entity since its incorporation.

The Policy for determining the nature and amount of remuneration for senior executives of the Controlled Entities are as follows:

1. The remuneration policy, setting the terms and conditions for the executives Directors and other senior executives, was approved by the Board of the controlled entities.
2. All executives receive a base salary and bonus, share options and performance incentives as determined by the Board of the controlled entities, such incentive to be awarded based on factors such as business generated and income contribution.
3. The remuneration of the executive will be reviewed annually by reference to the controlled entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industry.

Remunerations, including benefits from share options granted for the financial year ended 31st March 2014 paid by the Economic Entity are as below:

	<b>Fees from Parent Entity*</b>	<b>Remuneration from Controlled Entities</b>	<b>Bonus from Controlled Entity</b>	<b>Total from Economic Entity</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
Nelson CHIU	22	280	-	302
Michael CHAI	12	5	-	17
Henry QIN	12	-	-	12
<b>Total Payments</b>	<b>46</b>	<b>285</b>	<b>-</b>	<b>331</b>

\* Paid by Parent Entity.

**DIRECTORS' REPORT (Continued)****Directors' Interests in Contracts and Director's shareholdings**

No Director had a beneficial interest in any contract of the business of the Parent Entity to which the Parent Entity or any of its controlled entities was a party during the year.

At the statement of financial position date, the interests of the Directors in the share capital of the Parent Entity were as follows:

	<u>No. of fully paid shares held</u>	<u>No. of share options held</u>
Nelson CHIU	36,000,000	-
Michael CHAI	10,000,000	-
Henry QIN	Nil	-

**Shares and share options of the Parent Entity held by the Directors were as follows:**

Other than the share holdings disclosed above, Mr. Nelson CHIU is a beneficial shareholder of International Investments Enterprises Limited, which has 880,225,044 fully paid ordinary shares as at 31st March 2014.

**Directors' service contracts**

No Director of the Parent Entity has a service contract with the Parent Entity or any of the controlled entities. For Directors who are only Directors of the controlled entities, their contracts can all be terminated within one year and with only need to meet statutory compensations.

**Directors' Rights to Acquire Shares**

Apart from the share options detailed in "Directors' interests in contracts and shares", at no time during the financial year was the Parent Entity a party to any arrangement to enable the Parent Entity's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Parent Entity or any other related body corporate.

**Significant Changes in State of Affairs**

There were no significant changes in the state of affairs of the Parent Entity after the financial year.


**After Statement of Financial Position Date Events**

There were no significant events subsequent to the statement of financial position date.

**Rounding of Amounts**

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

**Signed in accordance with a resolution of the Board of Directors.**



Mason MS Lam  
Director  
Date: 28th June 2014

## DIRECTORS' DECLARATION

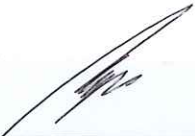
The Directors declare that the financial statements and notes set out on pages 10 to 35:

- (a) give a true and fair view of the Parent Entity's and the Economic Entity's statements of financial position as at 31st March 2014 and of their statements of comprehensive income, as represented by the result of their operations and their cash flows, for the financial year ended on that date; and
- (b) have been prepared in accordance with International Financial Reporting Standards.

### In the opinion of the Directors:

- (a) The statements of comprehensive income are drawn up so as to give a true and fair view of the result of the Parent Entity for the financial year ended 31st March 2014.
- (b) The statements of financial position are drawn up so as to give a true and fair view of the state of affairs of the Parent Entity as at 31st March 2014
- (c) At the date of this declaration there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the Board of Directors.



Mason MS Lam  
Director  
Date: 28th June 2014





## INDEPENDENT AUDITOR'S REPORT

To the members of Australia China Holdings Limited (ARBN 067 993 506)

### Report on the Financial Report

We have audited the accompanying financial report of Australia China Holdings Limited, which comprises the Statements of Financial Position as at 31 March 2014, and Statements of Comprehensive Income, the Statements of Changes in Equity and the Statements of Cash Flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the International Financial Reporting Standards ("IFRS") and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which conforms to the International Standards on Auditing. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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### **Basis for Qualified Opinion**

As disclosed in the notes to the financial statements, the company's controlled entity paid deposits on 95% interest in a farmland in the Inner Mongolia Autonomous Region of China and carried the amount at \$75,613,288 on the consolidated Statements of Financial Position as at 31 March 2014. The title of the land can only be transferred to the company's controlled entity when an Incorporated Joint Venture Company in China has been registered. As at the date of this report, the Incorporated Joint Venture Company has not been registered and as a result, the title of the land has not been transferred to the company's controlled entity. Given the significant delays experienced in the registration of the new Joint Venture Company, we are unable to obtain sufficient appropriate audit evidence to determine whether any adjustments to this amount were necessary.

### **Qualified Auditor's Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of Australia China Holdings Limited

- (a) giving a true and fair view of the company and consolidated entity's financial position as at 31 March 2014 and of their performance for the year ended on that date; and
- (b) complying with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Emphasis of Matter**

We draw your attention to Note 2 to the financial statements which describe the ability of the Economic Entity to continue as a going concern is dependent on the cash flows generated from the successful utilisation of the farmland in Inner Mongolia of China. Our opinion is not modified in respect of this matter.

*Kee & Co.*

**Kee & Co.  
Certified Practising Accountants**

*wkee*

**Wallace Kee**

28 June 2014  
Sydney, Australia

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

		Economic Entity		Parent Entity	
CONTINUING OPERATONS		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	Note	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	5	486	1,203	-	-
Cost of sales		-	-	-	-
Gross profit		486	1,203	-	-
Other revenue	5	2,515	-	304	752
Administrative expenses		(644)	(798)	(131)	(156)
Provision for losses		(1,823)	-	(1,823)	-
Finance costs	7	(117)	(85)	(104)	(76)
Profit before income tax	6	417	320	(1,754)	520
Income tax expense	8	-	-	-	-
Profit for the financial year		417	320	(1,754)	520
Extraordinary income / expense		-	-	-	-
Total comprehensive income for the financial year		417	320	(1,754)	520
Profit for the financial year attributable to:					
Owners of the Parent Entity		417	320	(1,754)	520
Minority interest		-	-	-	-
Total		417	320	(1,754)	520
Total comprehensive income for the financial year attributable to:					
Owners of the Parent Entity		417	320	(1,754)	520
Minority interest		-	-	-	-
Total		417	320	(1,754)	520
Basic Earnings per share (cents per share)	11	0.012	0.009	N/A	N/A
Diluted Earnings per share (cents per share)	11	0.011	0.005	N/A	N/A

The accompanying notes form part of these financial statements.



STATEMENTS OF FINANCIAL POSITION AS AT 31ST MARCH 2014

	Note	Economic Entity		Parent Entity	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		A\$'000	A\$'000	A\$'000	A\$'000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	12	52	37	48	32
Receivables	13	2,688	2,802	303	1,351
Financial assets	15	37	37	1	1
<b>TOTAL CURRENT ASSETS</b>		<b>2,777</b>	<b>2,876</b>	<b>352</b>	<b>1,384</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	13	-	-	44,520	43,621
Deposits paid	14	75,613	73,098	-	-
Financial assets	15	-	-	32,000	32,010
Property, plant and equipment	21	1	5	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75,614</b>	<b>73,103</b>	<b>76,520</b>	<b>75,631</b>
<b>TOTAL ASSETS</b>		<b>78,391</b>	<b>75,979</b>	<b>76,872</b>	<b>77,015</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Payables and accruals	18	225	222	145	182
Financial liabilities	19	-	160	-	160
<b>TOTAL CURRENT LIABILITIES</b>		<b>225</b>	<b>382</b>	<b>145</b>	<b>342</b>
<b>NON CURRENT LIABILITIES</b>					
Payables and accruals	18	2,916	1,391	1,356	111
Financial liabilities	19	535	1,208	331	1,068
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>3,451</b>	<b>2,599</b>	<b>1,687</b>	<b>1,179</b>
<b>TOTAL LIABILITIES</b>		<b>3,676</b>	<b>2,981</b>	<b>1,832</b>	<b>1,521</b>
<b>NET ASSETS</b>		<b>74,715</b>	<b>72,998</b>	<b>75,040</b>	<b>75,494</b>
<b>EQUITY</b>					
Share capital	20	72,105	70,805	72,105	70,805
Reserves	22	302	302	302	302
Retained earnings		2,308	1,891	2,633	4,387
<b>TOTAL EQUITY</b>		<b>74,715</b>	<b>72,998</b>	<b>75,040</b>	<b>75,494</b>

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Economic Entity	Share Capital	Options Reserve	Retained Earnings	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Balance at 31st March 2012	70,805	302	1,571	72,678
Total comprehensive income for the financial year	-	-	320	320
<u>Transactions with owners :</u>				
Issues of shares	-	-	-	-
	-	-	-	-
Balance at 31st March 2013	70,805	302	1,891	72,998
Total comprehensive profit for the financial year	-	-	417	417
<u>Transactions with owners :</u>				
Issues of shares	1,300	-	-	1,300
Balance at 31st March 2014	72,105	302	2,308	74,715

Parent Entity	Share Capital	Options Reserve	Retained Earnings	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Balance at 31st March 2012	70,805	302	3,867	74,974
Total comprehensive income for the financial year	-	-	520	520
<u>Transactions with owners :</u>				
Issues of shares	-	-	-	-
	-	-	-	-
Balance at 31st March 2013	70,805	302	4,387	75,494
Total comprehensive income for the financial year	-	-	69	69
Provision loss	-	-	(1,823)	(1,823)
<u>Transactions with owners :</u>				
Issues of shares	1,300	-	-	1,300
Balance at 31st March 2014	72,105	302	2,633	75,040

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

		Economic Entity <u>2014</u>	<u>2013</u>	Parent Entity <u>2014</u>	<u>2013</u>
	Note	A\$'000	A\$'000	A\$'000	A\$'000
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>					
Payments to suppliers, directors and employees		(299)	(376)	(130)	(188)
<b>Net cash used in operating activities</b>	<b>25</b>	<b>(299)</b>	<b>(376)</b>	<b>(130)</b>	<b>(188)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Deposit received		-	-	-	-
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from shares issued		-	-	-	-
Repayments of borrowings		-	-	-	-
Loan to controlled entities		-	-	(117)	(169)
Loan from related parties		313	381	262	364
<b>Net cash from financing activities</b>		<b>313</b>	<b>381</b>	<b>145</b>	<b>195</b>
<b>Net (decrease)/ increase in cash held</b>		<b>14</b>	<b>5</b>	<b>13</b>	<b>7</b>
Exchange (loss)/gain (net)		1	1	1	1
		<b>15</b>	<b>6</b>	<b>16</b>	<b>8</b>
Cash and cash equivalents at the beginning of the financial year		37	3	32	24
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12</b>	<b>52</b>	<b>37</b>	<b>48</b>	<b>32</b>

The accompanying notes form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014**

**Note 1 : General Information**

The Parent Entity is a public limited company incorporated in Bermuda with its shares listed on the Australian Stock Exchange Limited (the "ASX").

The principal activity of the Parent Entity remains unchanged as a holding company for its investment in controlled entities. Details of the principal activities of the Parent Entity and its controlled entities are set out in Note 16 to the financial statements.

**Note 2 : Fundamental Accounting Concept**

In the previous year, Eco Agriculture Holdings Limited, a wholly owned subsidiary of the company, had signed a lease agreement for the use of 16,000 mu (Chinese unit of land measurement) of farmland in the Inner Mongolia Autonomous Region of China. The ability of the Economic Entity to continue as a going concern is based on the cash flows generated from the successful utilization of the farmland in Inner Mongolia, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Economic Entity's ability to continue as a going concern.

The financial statements of the Economic Entity have been prepared on the assumption that the Economic Entity will continue as a going concern. The Directors of the Economic Entity are of the view that the substantial utilization of the farmland in Inner Mongolia and the cash flows generated therefrom is expected to improve the long term operation viability of the Economic Entity.

**Note 3 : Statement of Significant Accounting Policies**

**(a) Basis of Preparation**

The financial report covers the Economic Entity of Australia China Holdings Limited and its controlled entities (the "Economic Entity"), and Australia China Holdings Limited as an individual parent entity (the "Parent Entity").

The financial report is a general purpose financial report that has been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Economic Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 to the financial statements.

The following is a summary of the material accounting policies adopted by the Economic Entity and Parent Entity in the preparation of these financial reports. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements are presented in Australian Dollars.

Except for the cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**(i) Adoption of new, revised, amendments/Improvements to IFRSs and interpretations**

The Group has adopted the following new, revised, amendments/improvements to IFRSs and interpretations that are relevant to their operations and are mandatory for the current financial year:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associations and Joint Ventures

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014**

**Note 3 : Statement of Significant Accounting Policies (Continued)**

**(a) Basis of Preparation (Continued)**

- Amendments for IFRS 1 – Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 1 – Government Loans
- Amendments to IFRS 7 - Disclosures — Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, 12, IAS 27 – Investment Entities
- Annual Improvements 2009-2011 Cycle
- Amendments to IAS 31 – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 – Novation of Derivations and Continuation of Hedge Accounting

The above amendments have had no material impact on the financial performance or position of the Group.

- (ii) New, revised, amendments/improvements to IFRSs and interpretations that are issued, not yet effective and have not been adopted early

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these consolidated financial statements are in issue but not yet effective for periods beginning 1 April 2013:

	<u>Effective Date</u>
• Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
• Amendments to IAS 1 Government Loans	1 January 2013
• Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Liabilities	1 January 2013
• IFRS 11 Joint Arrangements	1 January 2013
• IFRS13 Fair Value Measurement	1 January 2013
• IAS 19 Employee Benefits	1 January 2013
• IAS 28 Investments in Associates and Joint Ventures	1 January 2013
• Annual Improvements to IFRS (May 2012)	1 January 2013
• IFRS 10 Consolidated Financial Statements	1 January 2014
• IFRS 12 Disclosures of Interests in Other Entities	1 January 2014
• Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements,	1 January 2014
Joint Arrangements and Disclosure if Interests in Other Entities: Transition Guidance	
• IAS 27 Separate Financial Statements	1 January 2014
• Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
• IFRS 9 Financial Instruments	1 January 2015
• Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosure	1 January 2015

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

**(a) Basis of Consolidation and Controlled Entities**

The consolidated financial statements comprise of the financial statements of all the entities that comprise the controlling entity, being the Parent Entity, and its controlled entities.

A Controlled Entity is any entity controlled by the Parent Entity whereby the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanied

Control is presumed to exist where more than half of an entity's voting power is controlled by the Parent Entity, or the Parent Entity is able to govern the financial and operating policies of an entity, or control the removal or appointment of a majority of the entity's Board of Directors.

Non-controlling interests are that part of the net results of operations and of net assets of a controlled entity attributable to the interests which are not owned directly or indirectly by the equity holders of the Parent Entity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a controlled entity, even if this results in the non-controlling interests having a deficit balance.

All Inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of Controlled Entities have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

The purchase method of accounting is used to account for the acquisition of controlled entities by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the controlled entities. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 3 : Statement of Significant Accounting Policies (Continued)**

**(b) Basis of Consolidation and Controlled Entities (Continued)**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquire over the fair value of the identifiable assets acquired is recorded as goodwill.

When a change in the Group ownership interest in a controlled entity results in a loss of control over the controlled entity, the assets and liabilities of the controlled entity including any goodwill are derecognise. Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Where Controlled Entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

***Transactions with non-controlling interests***

Changes in the Group's ownership interest in a controlled entity that do not result in a loss of control over the controlled entity are accounted for as transactions with equity owners of the Parent Entity. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Parent Entity.

**(c) Investments in Associates**

Associates are those corporations, partnerships or other entities in which the Parent Entity exercises influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a controlled entity nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of associates but not the power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Economic Entity's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(h) to the financial statements.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss. Gain and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is lost and its fair value is recognised in profit or loss.

**(d) Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for the business or for an ownership interest in a Controlled Entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of Controlled Entities is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(h) to the financial statements.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses, if any.

The cost of purchased property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant or equipment to its working conditions and locations for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Economic Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 3 : Statement of Significant Accounting Policies (Continued)**

**(f) Depreciation**

The depreciable amount of all property, plant and equipment is depreciated on the straight line basis over their useful lives commencing from the time the asset is held ready for use.

The depreciation rate used for furniture and fixtures is 20% (2013: 20%) per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalue assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

**(g) Financial Instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

*Financial assets at fair value through profit or loss*

A financial asset is classified in the category if acquired principally for the purpose of selling in the short term of it so designated by management and within the requirements of IAS 139: Financial Instruments - Recognition and Measurement. Derivations are also categorized as held for trading unless they are designated as hedges. Realised and unrealised gains or losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

*Held-to-maturity investments*

These investments have fixed maturities, and it is the Parent Entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the Parent Entity are stated at amortised cost using the effective interest rate method.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet

*Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*Impairment*

At each reporting date, the Parent Entity assesses whether there is evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(h) to the financial statements.

**(h) Impairment of Assets**

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired on a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 3 : Statement of Significant Accounting Policies (Continued)****(h) Impairment of Assets (Continued)**

An impairment loss is recognised in the statement of comprehensive income in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

**(i) Provisions**

Provisions are recognised when the Parent Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(j) Revenue***Rental income*

Rental income under operating lease on land is recognised on a straight line basis over the period of the lease.

*Interest income*

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(k) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

**(l) Income Tax**

The Parent Entity was incorporated in Bermuda in 1994 as an Exempted Company. According to Bermuda Companies Act 1981, the Minister of Finance waived all Exempted Companies from any tax or duty on profits or income capital, gains or appreciations before the year 2016.

The Economic Entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Parent Entity intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 3 : Statement of Significant Accounting Policies (Continued)**

**(m) Employee Benefits**

**(i) Short Term Employee Benefits**

Wages, salaries, bonuses and social security contributions and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when the absences occur.

**(ii) Share Options Scheme**

No expenses is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

**(n) Foreign Currency Transactions and Balances**

*Functional and presentation currency*

The functional currency of each of the Economic Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

*Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transaction of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is the statement of comprehensive income.

*Economic Entity*

The financial results and position of foreign operations whose functional currency is different from the Economic Entity's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rate prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Parent Entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**(o) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

**(p) Related Parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 3 : Statement of Significant Accounting Policies (Continued)**

**(q) Segment Reporting**

In accordance with the Economic Entity's internal financial reporting, the Economic Entity has determined the business segment be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses less interest income. Segment assets consist primarily, plant and equipment, inventories, receivables and operating cash, and exclude corporate cash funds. Segment liabilities comprise operating liabilities and exclude items such as payables and accruals for corporate expenses. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, sales are based on the countries in which the controlled entity operates. Total assets and capital expenditure are where the assets are located.

**Note 4: Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

**(a) Impairment of Receivables**

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances for impairment are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

**(b) Deposits Paid**

Included in deposits paid are land deposits recognised under ECO-Agriculture Group Limited (ECO) amounting to A\$75,613,290 as at 31st March 2014. ECO entered into contracts to acquire 95% interest in a 2,133 hectares farmland situated in Inner Mongolia Autonomous Region of China. There are no outstanding consideration to be paid except that an appropriate USD1,000,000 for expense to register the land title. ECO is in the process of registering the title of this farmland. 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.

**(c) Income Tax Expense**

The Economic Entity is subject to income taxes in jurisdictions where it has taxable income. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic Entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(d) Share Options**

The Parent Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 9(d) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 5 : Revenue**

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Operating activities</b>				
- Rental Income	486	1,203	-	-
<b>Revenue</b>	<b>486</b>	<b>1,203</b>	<b>-</b>	<b>-</b>
<b>Non-operating activities</b>				
Interest income	-	-	304	752
Foreign currency translation for foreign operation	2,515	-	-	-
<b>Total</b>	<b>2,515</b>	<b>-</b>	<b>304</b>	<b>752</b>

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$000	A\$000	A\$000	A\$000
<b>Charging:</b>				
Depreciation	(4)	(4)	-	-
Provision loss	(1,823)	-	(1,823)	-

**Note 7 : Finance Costs**

Finance costs are interest expenses charged on a loan from a related party which bears interest at a rate of 8% (2013 8%) per annum.

**Note 8 : Income Tax Expense**

No provision for tax has been made for current and prior financial year as the Economic Entity did not generate any assessable profits arising in China or Hong Kong during the current and prior financial year.

**Note 9 : Key Management Personnel Compensation**

- (a) Names and positions held by the Economic Entity key management personnel in office at any time during the financial year are:

**Parent Entity**

Nelson CHIU (Chairman)

Michael CHAI (Director)

Henry QIN (Independent Non Executive Director)

Stonely SEK (Company Secretary)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Note 9 : Key Management Personnel Compensation (Continued)

(b) Remuneration Practices

No remunerations were incurred by the Economic Entity as it only sets policy for the member of the Economic Entity to follow. All the activities have always been carried by the subsidiaries. And according to Economic Entity 's policy , executive members of the subsidiaries are remunerated in accordance with the following criteria:

- Personal performance
- Result of the Group for the year
- Performance of the business entities being looked after by the Directors concerned
- The compensation package offered by other competitors in the similar business fields
- Overall economic environment

The Personnel Department would gather information based on the abovementioned factors and will submit a proposal of the remuneration to be paid to each executive Director for consideration at the Board Meeting of the subsidiaries. If approved, a resolution will be passed to authorise payments.

(c) Directors & Key Management Personnel Compensation paid by the Parent Entity and subsidiaries of the Parent Entity during the financial year:

Directors & Key Management Personnel

	Total Fees, Remunerations & Bonuses			
	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Nelson CHIU	302	420	22	22
Michael CHAI	17	12	12	12
Henry QIN	12	12	12	12
<b>Total Payments</b>	<b>331</b>	<b>444</b>	<b>46</b>	<b>46</b>

(d) Compensation Options

	Balance at 1.4.2013	Granted during the year	Lapsed during the year	Exercised during the year	Total Not exercisable 31.3.2014
	No.'000	No.'000	No.'000	No.'000	No.'000
Nelson CHIU	10,000	-	(10,000)	-	0
Michael CHAI	10,000	-	(10,000)	-	0
Henry QIN	10,000	-	(10,000)	-	0
Stonely SEK	10,000	-	(10,000)	-	0
Winnie Yu	5,000	-	(5,000)	-	0
<b>Total</b>	<b>45,000</b>	<b>-</b>	<b>(45,000)</b>	<b>-</b>	<b>0</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 9 : Key Management Personnel Compensation (Continued)**

**(d) Compensation Options (Continued)**

Certain salient terms and conditions of the Share Options Scheme are as follows:

- (a) The exercise price of the share options are \$0.02.
- (b) The share options will expire on 30th December 2019

The fair value of the share options granted is estimated by the directors at the date of the grant using the Black Scholes Model, taking into account the terms and conditions upon which the instruments were granted. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcomes.

**(e) Directors' Service Contracts**

No director of the Parent Entity has a service contract with the Parent Entity or any of the controlled entities. For Directors who are only Directors of the controlled entities, their contracts can all be terminated within one year and with only need to meet statutory compensations.

**(f) Directors' Rights to Acquire Shares**

Apart from the share options detailed in "Directors' interests in contracts and shares", at no time during the financial year was the Parent Entity a party to any arrangement to enable the Parent Entity's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Parent Entity or any other related bodies corporate.

**(g) Share Options Granted**

The Parent Entity had not issue share options during the period ended 31<sup>st</sup> March 2014

**Note 10 : Auditors' Remuneration**

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Remuneration of the auditor of the Parent Entity for:</b>				
auditing or reviewing the financial report				
- current year	26	41	26	41
- under accrual in prior years	-	13	-	13
<b>Remuneration of other auditor of the Controlled Entities for:</b>				
- auditing the financial report	8	5	-	-
<b>Total</b>	<b>34</b>	<b>59</b>	<b>26</b>	<b>54</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Note 11 : Earnings Per Share ("EPS")

	Economic Entity	
	2014	2013
	A\$'000	A\$'000
(a) Profit attributable to shareholders	417	320
<b>Earnings used in the calculation of basic and dilutive EPS</b>	<b>417</b>	<b>320</b>
	No.'000	No.'000
(b) Weighted average number of ordinary shares outstanding during the financial year used in calculating basic EPS	3,545,760	3,540,239
Weighted average number of share options outstanding	110,410	3,230,710
<b>Weighted average number of ordinary shares outstanding during the financial year used in calculating dilutive EPS</b>	<b>3,656,170</b>	<b>6,770,949</b>

Note 12 : Cash and Cash Equivalents

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	52	37	48	32

Note 13 : Receivables

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$000	A\$000	A\$000	A\$000
<b>Current:</b>				
Receivables from controlled entities	-	-	303	751
Receivables from a related party	-	-	-	-
Other receivables	6,788	6302	4,100	4,100
*Allowance for impairment	(4,100)	(3,500)	(4,100)	(3,500)
	<b>2,688</b>	<b>2,802</b>	<b>303</b>	<b>1,351</b>
<b>Non-Current:</b>				
Receivables from controlled entities	-	-	44,520	43,621

\*As at 30th September 2012, the Parent Entity made an allowance for doubtful debts of A\$3,500,000 for possible losses from the loan advanced by a controlled entity of the Parent Entity to an Australian Company. It is unable to secure any repayment from the Australian Company, a provision of A\$600,000 has been made and the full amount outstanding has now been provided for.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 14 : Deposits paid**

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$000	A\$000
Deposits paid on farmland in Inner Mongolia, China	73,098	73,098	-	-
Written back adjustment on exchange difference	2,515			
	<b>75,613</b>	<b>73,098</b>	<b>-</b>	<b>-</b>

As at 31st March 2014 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 A\$75,613,290.

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.

**Note 15 : Financial Assets**

	Note	Economic Entity		Parent Entity	
		2014	2013	2014	2013
		A\$'000	A\$'000	A\$'000	A\$'000
At fair value through profit or loss	(a)	1	1	1	1
Available-for-sale financial assets	(b)	36	36	32,000	32,010
		37	37	32,001	32,011
<b>Less : Non-Current Portion</b>		<b>-</b>	<b>-</b>	<b>(32,000)</b>	<b>(32,010)</b>
<b>Current Portion</b>		<b>37</b>	<b>37</b>	<b>1</b>	<b>1</b>
<b>(a) At Fair Value Through Profit or Loss</b>					
Listed investments, at fair value					
- shares in other listed company		1	1	1	1

**(b) Available-for-Sale Financial Assets**

		Economic Entity		Parent Entity	
		2014	2013	2014	2013
		A\$'000	A\$'000	A\$'000	A\$'000
Unlisted investments, at cost					
- shares in controlled entities	16	-	-	32,000	32,010
- unquoted investments		36	36	-	-
-		36	36	32,000	32,010

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date to these investments.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Note 16 : Controlled Entities

(a) Details of Controlled Entities

	Country of Incorporation	Percentage Owned		Principal Activities
		2014	2013	
Parent Entity:				
Australia China Holdings Limited	Bermuda	N/A	N/A	Holding
Controlled Entities of Australia China Holdings Limited:				
*Australia China Business Limited	BVI	-	100%	Investment Holding
*Australia China Development Limited	BVI	100%	100%	Investment Holding
# Australia China Capital Group Limited	Hong Kong	100%	100%	Investment
Controlled Entity of Australia China Development Limited:				
# ECO-Agriculture Group Limited	Hong Kong	100%	100%	Property Holding
Controlled Entity of Australia China Capital Group Limited				
*Australia China Business Limited	BVI	100%	-	Investment Holding
*Australia China Capital Limited	BVI	100%	-	Fund Management

#Controlled Entities audited by another firm of Accountants

\*These Controlled Entities have not been audited as they are not required to be audited in their corresponding jurisdictions. However, audit procedures on consolidations have been applied by the auditors on the financial statements of these Controlled Entities.

Note 17 : Associated Entity

	Country of Incorporation	Percentage Owned		Principal Activities
		2014	2013	
<b>Associated Entity of Australia China Business Limited:</b>				
Sino (HK) International Corporate Investment Limited	Hong Kong	48%	48%#	Business consultancy

#No equity accounting was applied in the consolidated financial statements since the investment and the loss in the associate during the financial year were not material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 18 : Payables**

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Non-Current:</b>				
Payables and accruals	2,916	1,391	1,356	111
<b>Current:</b>				
Payables and accruals	225	222	145	182

**Note 19 : Financial Liabilities**

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Non-Current:</b>				
* Due to a related party	535	1,208	331	1,068
<b>Current:</b>				
* Due to a related party	-	160	-	160

\*The loan from a related party bears interest at a rate of 8% (2013 8%) per annum.

**Note 20 : Share Capital**

	Economic and Parent Entity	
	2014	2013
	A\$'000	A\$'000
<b>Authorised:</b>		
6,000,000,000 authorised ordinary shares at \$0.02 each	120,000	120,000
<b>Issued And Fully Paid:</b>		
3,605,239,953 (2013 : 3,540,239,953) fully paid ordinary shares at \$0.02 each	72,105	70,805

	Economic and Parent Entity	
	2014	2013
	No.	No.
<b>Issued and fully paid ordinary shares:</b>		
At the beginning of the financial year	3,540,239,953	3,540,239,953
Shares issued during the financial year:	65,000,000	-
<b>At the end of the financial year</b>	<b>3,605,239,953</b>	<b>3,540,239,953</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

<b>Note 21 : Property, Plant and Equipment</b>	<b>Furniture and fixtures A\$'000</b>	<b>Total A\$'000</b>
<b>Economic Entity</b>		
<b>2014</b>		
At cost		
At 1st April 2013	21	21
Exchange (loss)/gain	-	-
Additional /Disposal/ transfer	-	-
<b>At 31st March 2014</b>	<b>21</b>	<b>21</b>
Accumulated depreciation		
At 1st April 2013	(16)	(16)
Depreciation for the financial year	(4)	(4)
Disposal/ transfer	-	-
<b>At 31st March 2014</b>	<b>20</b>	<b>20</b>
<b>Carrying Amount at 31st March 2014</b>	<b>1</b>	<b>1</b>
<b>Economic Entity</b>		
<b>2013</b>		
At cost		
At 1st April 2012	21	21
Exchange (loss)/gain	-	-
Additional /Disposal/ transfer	-	-
<b>At 31st March 2013</b>	<b>21</b>	<b>21</b>
Accumulated depreciation		
At 1st April 2012	(12)	(12)
Depreciation for the financial year	(4)	(4)
Disposal/ transfer	-	-
<b>At 31st March 2013</b>	<b>(16)</b>	<b>(16)</b>
<b>Carrying Amount at 31st March 2013</b>	<b>5</b>	<b>5</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 22 : Reserves**

Reserves consist of the Option Reserve which records items recognised as remuneration expenses on valuation of employee share options.

**Note 23 : Segment Reporting**

**Primary Reporting— Business Segments**

	Property Investment		Trading and Others	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>REVENUE</b>				
External revenue	486	-	-	-
Other revenue	2,515	-	-	-
<b>Total Revenue</b>	<b>3,001</b>	<b>1,203</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULTS</b>				
Segment results	(349)	578	(295)	(173)
Provision loss	-	-	(1,823)	-
Finance costs	(13)	(9)	(104)	(76)
Profit/(loss) before income tax	2,639	569	(2,222)	(249)
Income tax expense	-	-	-	-
<b>Profit /(loss)for the financial year</b>	<b>2,639</b>	<b>569</b>	<b>(2,222)</b>	<b>(249)</b>
<b>Segment Assets</b>	<b>78,330</b>	<b>75,347</b>	<b>61</b>	<b>632</b>
<b>Segment Liabilities</b>	<b>489</b>	<b>1,458</b>	<b>3,187</b>	<b>1,523</b>
Depreciation	(4)	(4)	-	-
Foreign currency loss	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Note 23 : Segment Reporting (Continued)

Secondary Reporting— Geographical Segments

	Segment Revenue		Segment Assets	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Geographical location:				
The People's Republic of China	486	1,203	78,330	74,747
Australia	-	-	-	600
<b>Total</b>	<b>486</b>	<b>1,203</b>	<b>78,330</b>	<b>75,347</b>

Business and Geographical Segments

Business Segments:

Trading and Others— Investments in businesses and trading.  
Property Investment— Property holdings.

Geographical Segments:

The People's Republic of China— Property Investment.  
Australia and British Virgin Islands— Trading and Others.

Note 24 : Operating Lease Commitments

	Economic Entity	
	2014	2013
	A\$'000	A\$'000
Minimum lease receipt / payment :		
- Leases contracted for not capitalised in the financial statements	1,027	911
<b>Total receipt/payment</b>	<b>1,027</b>	<b>911</b>

Note 25 : Cash Flows Information

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
(a) Reconciliation of Cash Flows used in operating activities				
Profit from ordinary activities after income tax	417	320	(1,754)	520
Non-cash flows in profit from ordinary activities				
Depreciation	4	4	-	-
Interest expense	117	85	104	76
Written back foreign currency exchange difference	(2,515)	-	-	-
Bad debt provision	600	-	1,823	-
Exchange loss/(gain) (net)	(1)	(1)	(1)	(1)
Changes in assets and liabilities, net of the effects of acquisitions and disposals of controlled entities				
Increase in receivables	(486)	(1,197)	(281)	(752)
Increase in payables	1,565	413	(21)	(31)
<b>Cash flows used in operating activities</b>	<b>(299)</b>	<b>(376)</b>	<b>(130)</b>	<b>(188)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

## Note 26 : Related Parties

## (a) Identification of Related Parties

Related parties:	Relationship:
Supreme Australasian Investments Limited	Shareholder of the Parent Entity.
Harvard Business Management & Consultancy Limited	Shareholder of the Parent Entity.

The Parent Entity has controlling related party relationship with its direct and indirect subsidiaries.

## (b) Related Parties Transaction

Related parties:	Economic Entity		Parent Entity	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Supreme Australasian Investments Limited</b>				
— net advances for expenses incurred	(103)	(98)	(77)	(98)
— interest expense charged	(12)	(4)	(12)	(4)
<b>Harvard Business Management &amp; Consultancy Limited</b>				
— net advances for expenses incurred	(210)	(274)	(184)	(262)
— interest expense charged	(105)	(81)	(92)	(72)
<b>Australia China Development Limited</b>				
— interest income	-	-	24	210
<b>ECO-Agriculture Group Limited</b>				
— interest income	-	-	13	541
<b>Australia China Capital Group Limited</b>				
— interest income	-	-	80	541



**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014**

**Note 27 : Financial Instruments**

**(a) Financial Risk Management**

The Economic Entity's finance committee overall risk management strategy seeks to assist the Economic Entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis.

The Economic Entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, advances to and from controlled entities and related parties, term loan to a related party and a convertible note.

**(i) Treasury Risk Management**

Senior executives of the Economic Entity assess currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**(ii) Financial Risks**

The main risks the Economic Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

**Interest rate risk**

Interest rate risk is managed with a mixture of fixed and floating rate debt. At the statement of financial position date all of Economic Entity debts are at floating rates. However, interest rate risk is small as the debt is expected to be fully settled within 3 months from the statement of financial position date. The Economic Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is disclosed in Note 27(b) to the financial statements. The risk exposure is considered small.

The exposure to interest rate risk of the Group is not material and hence, sensitivity analysis is not presented.

**Foreign currency risk**

The Economic Entity is exposed to fluctuations in foreign currencies arising from intercompany treasury activities and translation of foreign controlled entities financial results from currencies other than the Economic Entity's measurement currency.

The exposure to foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

**Liquidity risk**

The Economic Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The maturity analysis summarises the maturity profile of the Economic Entity's and Parent Entity's liabilities at the reporting date based on contractual undiscounted repayment obligation is disclosed in Note 27(b) to the financial statements.

**Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

**Price risk**

There is no price risk in respect from the rental income derived from Inner Mongolia land since the rental income was dominated in the agreement in Australian Dollars.

**(b) Net Fair Values**

The net fair values of:

- listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.
- other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the Economic Entity intends to hold these assets to maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

Note 27 : Financial Instruments (Continued)

(b) Net Fair Values (Continued)

<u>Economic Entity</u>	Effective Interest rate %	<u>Interest Bearing</u> Maturing			<u>Non-interest Bearing</u>	Total
		Within 1 year	1 to 5 Years	Over 5 years		
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
<b>2014</b>						
<b>Financial Assets:</b>						
Cash		-	-	-	52	52
Receivables		-	-	-	2,688	2,688
Financial assets		-	-	-	37	37
Deposits paid		-	-	-	75,613	75,613
Property, plant and equipment		-	-	-	1	1
<b>Total Financial Assets</b>		-	-	-	<b>78,391</b>	<b>78,391</b>
<b>Financial Liabilities:</b>						
Payables		-	-	-	3,141	3,141
Financial liabilities	8%		535	-	-	535
<b>Total Financial Liabilities</b>		-	<b>535</b>	-	<b>3,141</b>	<b>3,676</b>
<b>2013</b>						
<b>Financial Assets:</b>						
Cash		-	-	-	37	37
Receivables		-	-	-	2,802	2,802
Financial assets		-	-	-	37	37
Deposits paid		-	-	-	73,098	73,098
Property, plant and equipment		-	-	-	5	5
<b>Total Financial Assets</b>		-	-	-	<b>75,979</b>	<b>75,979</b>
<b>Financial Liabilities:</b>						
Payables		-	-	-	1,613	1,613
Financial liabilities	8%	160	1,208	-	-	1,368
<b>Total Financial Liabilities</b>		<b>160</b>	<b>1,208</b>	-	<b>1,613</b>	<b>2,981</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 27 : Financial Instruments (Continued)**

**(b) Net Fair Values (Continued)**

	Effective Interest rate %	Interest Bearing Within 1 year A\$'000	Maturing 1 to 5 Years A\$'000	Over 5 Years A\$'000	Non- interest Bearing A\$'000	Total A\$'000
<b><u>Parent Entity</u></b>						
2014						
<b>Financial Assets:</b>						
Cash		-	-	-	48	48
Receivables	*	304	44,419	-	101	44,824
Financial assets		-	-	-	32,000	32,000
<b>Total Financial Assets</b>		<b>304</b>	<b>44,419</b>	<b>-</b>	<b>32,149</b>	<b>76,872</b>
<b>Financial Liabilities:</b>						
Payables		-	-	-	1,501	1,501
Financial liabilities	8%	-	331	-	-	331
<b>Total Financial Liabilities</b>		<b>-</b>	<b>331</b>	<b>-</b>	<b>1,501</b>	<b>1,832</b>
2013						
<b>Financial Assets:</b>						
Cash		-	-	-	32	32
Receivables		1,351	43,621	-	600	44,972
Financial assets		-	-	-	32,011	32,011
<b>Total Financial Assets</b>		<b>1,351</b>	<b>43,621</b>	<b>-</b>	<b>32,643</b>	<b>77,015</b>
<b>Financial Liabilities:</b>						
Payables		-	-	-	1,250	1,250
Financial liabilities	8%	160	111	-	-	271
<b>Total Financial Liabilities</b>		<b>160</b>	<b>111</b>	<b>-</b>	<b>1,250</b>	<b>1,521</b>

\* Charges based on a share of the gross income of the Controlled entities as stated below:

- (i) Australia China Development Limited: 50% of the revenue from the land of the Economic Entity
- (ii) ECO-Agriculture Group Limited ("ECO"): 45% of the income generated from the land held by ECO.

**(c) Fair value hierarchy**

The following are classes of financial instruments that are carried at fair value, by valuation method. The different levels have been defined as follows:

- (iii) Level 1 – Unadjusted quoted prices in active market for identical financial instruments
- (iv) Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- (v) Level 3 – Inputs that are not based on observable market data



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014

**Note 27 : Financial Instruments (Continued)**

**(c) Fair value hierarchy (Continued)**

<u>Economic and Parent Entity</u>	Level 1 A\$'000
<b>2014</b>	
Financial assets at fair value through profit or loss	<u>1</u>
<b>2013</b>	
Financial assets at fair value through profit or loss	<u>1</u>

The Group does not have any financial assets or financial liabilities measured at Level 2 and Level 3 hierarchy.

**Note 28 : Events after the Statement of Financial Position date**

There are no matters or circumstances that have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

**Note 29 : Capital Management**

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to continue as a going concern while maximizing the return to stakeholders. These reviews take into consideration future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and strategic investment opportunities.

There were no changes in the Group's approach to capital management during the year.

## SHAREHOLDERS' INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

The information is prepared based on share registry information as at 30th June 2014.

### (A) Top 20 largest shareholders

Rank	Shareholder	Percentage of issued capital	Number of fully paid shares
1	INTERNATIONAL INVESTMENTS ENTERPRISES LIMITED	24.42%	880,225,044
2	SUPREME AUSTRALASIAN INVESTMENTS LTD	7.51%	270,825,314
3	WELL VISION HOLDINGS LIMITED	5.68%	205,000,000
4	HARVARD BUSINESS MANAGEMENT & CONSULTANCY LIMITED	4.55%	164,200,000
5	GOLDEN TIGER INVESTORS LIMITED	3.58%	129,173,878
6	YAN LONG DEVELOPMENT LIMITED	2.98%	107,336,971
7	OLYMPIC INVESTMENT & ADVISORS LIMITED	2.81%	101,163,118
8	LIU JIN HU	2.77%	100,000,000
9	GUOHUA SHANGJIU JIAO LING INVESTMENT LIMITED	2.76%	99,400,000
10	WORLD GAINER LIMITED	2.76%	99,400,000
11	CHINA DEVELOPMENT HOLDINGS LIMITED	2.70%	97,300,000
12	DYNAMIC INTERNATIONAL HOTELS GROUP LIMITED	2.70%	97,300,000
13	SUNTECH INTERNATIONAL INVESTMENT HOLDINGS LIMITED	2.70%	97,300,000
14	LAM MUI SANG	2.63%	94,974,000
15	SUN INTERNATIONAL GROUP LIMITED	2.62%	94,500,000
16	DRAGON WIN INVESTMENTS LIMITED	2.32%	84,000,000
17	GT HOTEL HOLDINGS LIMITED	2.08%	74,900,000
18	EDISON INTERNATIONAL SALES LIMITED	2.02%	72,800,000
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1.81%	65,338,593
20	MS NADA SAADE	1.19%	42,656,434
		82.59%	2,977,793,352

### (B) Substantial shareholders

Rank	Shareholder	Percentage of issued capital	Number of fully paid shares
1	International Investments Enterprises Ltd	24.42%	880,225,044
2	Supreme Australasian Investments Ltd	7.51%	270,825,314
3	Well Vision Holdings Ltd	5.68%	205,000,000
		37.61%	1,356,050,358

### (C) Distribution of shareholders

(c) Distribution of shareholders			
Range of fully paid share held	Number of shareholders	Percentage of issued capital	Number of fully paid shares
1 to 1,000	20	0.00%	5,516
1,001 to 5,000	71	0.01%	198,761
5,001 to 10,000	94	0.02%	688,254
10,001 to 100,000	437	0.52%	18,693,388
100,001 to 999,999,999	419	99.46%	3,585,654,034
	1,041	100.00%	3,605,239,953

The number of shareholders held less than 100,001 shares was 622

### (D) Voting rights

Subject to the Bye-Laws of the Parent Entity, and to any rights or restrictions attaching to any class of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. On a show of hands, every member has one vote and on a poll, every member has (i) one vote for each fully paid share held by the member or (ii) for each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price of the share.



## CORPORATE GOVERNANCE STATEMENT

In June 2007, the Australian Stock Exchange published a number of Principles of Good Corporate Governance & Best Practice Recommendations for listed companies to adhere. In this respect, the Directors have evaluated with due care the situation of the Company and have strived to comply, with the best possible extent, the guidelines laid down.

Without doubt, the Directors recognise the need for a high standard of behaviour and accountability and accordingly support good corporate governance practices. In general, the Board considers that adequate measures have been taken in the areas of board structure and responsibility definition, timely and adequate disclosure for the best interest of the shareholders, minimizing risk by reinforcing internal control as well as the overall compliance with the ASX listing rules.

On self-evaluating the extent to which the Company has followed the best practice recommendations and principles, the Board is of the opinion that, subject to certain departures which are not justified for adoption due to the particular circumstances of the Company, our policies and practices are basically in compliance with the ASX requirements.

A description of the Company's corporate governance practices are set out below:

### Principle 1- Lay solid foundations for management and oversight

#### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The implementation of the corporate strategy and policy initiatives are undertaken by the Board of the Parent Company and day to day management of the Group's affairs are handled by the controlled entities concerned. All the controlled entities have their own CEO.

#### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

The Board of each of the controlled entity is responsible for evaluating the performance of the senior executives. Induction procedures are in place and senior executives have formal job descriptions which the process for evaluating their performance are being prepared and adopted by the Board of the Companies concerned.

### Principle 2- Structure the board to add value

#### Recommendation 2.1:

A majority of the Board should be independent Directors.

The Board is comprised of 3 Directors. Xiao Bin Henry QIN is the independent Director of the company.

It is the Board's intention to comply with its policy at a time when the size of the Company and its activities warrants such a structure.

#### Recommendation 2.2:

The Chair should be an independent Director.

The Chair of the Board is Nelson CHIU, who is not independent.

It is the Board's intention to comply with its policy at a time when the size of the Company and its activities warrants such a structure.

#### Recommendation 2.3:

The roles of the Chair and CEO should not be exercised by the same individual.

No CEO is appointed in the Company, but independent CEO is appointed for each controlled entity.

#### Recommendation 2.4:

The Board should establish a Nomination Committee.

A Nomination Committee has not been established.

The role of the Nomination Committee has been assumed by the Board because of the size of the Company.

#### Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Chairman is responsible for evaluation of performance of the member of the Board.

The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his performance.

#### Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

A profile of each Director containing their skills, experience and expertise is set out in the Director's report.

Xiao Bin Henry QIN is the independent Director of the company.

### Principle 3- Promote ethical and responsible decision-making

#### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the company's integrity;
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company is in the process of finding a Code of Conduct that applies to all Directors, senior executives and employees of the Group.

#### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company's trading policy is for all Directors, senior executives and employees of the Group to notify the Group's



CORPORATE GOVERNANCE STATEMENT (Continued)

Company Secretary of all transactions involving buying or selling of the Company's share for a value of over \$100,000 and they are all prohibited from making any purchase or sale 30 days before and the day after reporting or announcing the Group's result.

Principle 4- Safeguard integrity in financial reporting

Recommendation 4.1

The Board should establish an Audit Committee.

An Audit Committee has not been established.

The role of Audit Committee has been assumed by the Board because of the size of the Company.

Recommendation 4.2

The Audit Committee should be structured so that it:

- Consists only of non executive Directors;
- Consists of a majority of independent Directors;
- Is chaired by an independent Chair, who is not Chair of the Board; and
- Have at least 3 members.

There is no Audit Committee. However, if one was established the Board policy is that it would have 2 members who are non executive Directors.

Recommendation 4.3:

The Audit Committee should have a formal charter.

The Company has an Audit Committee Charter although this is currently administered by the Board.

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

There is no Audit Committee and the whole Board acts in this capacity in accordance with the Board Charter.

When established, the Audit Committee plans to hold a minimum of 3 meetings per year. It is intended that the Company's auditor will be invited to attend all Audit Committee meetings held during the financial year.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when vacancy arises, as recommended by 2 Directors. Candidates for the position of external auditor must demonstrate independence from the Company through the engagement period. The performance of the external auditor is reviewed on an annual basis by the Board.

Principle 5- Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Group's Company Secretary and the Company's lawyer are delegated with the responsibility to monitor closely the various rules and regulations governing the Company to ensure timely submission and disclosure of all material matters, financially or otherwise, in compliance with ASX Listing Rules.

Regular meetings are held with auditors to assume control over the fairness, independence and adequacy of disclosures of the financial statements of the Economic Entity.

Principle 6- Respect the rights of shareholders

Recommendations 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board aims to ensure that the shareholders, on behalf of whom it acts, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate; and
- Continuous disclosure releases.

Principle 7- Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has adopted a risk management policy. As detailed in 7.2, no risk management committee has been formed and this role is undertaken by the Board. However, the overall basis for risk management is to provide recommendations about:

- Assessing the internal processes for determining and managing key risk areas, particularly:  
Non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws; and  
Litigations and claims
- Ensuring that the Company has an effective risk management system and that major risks to the Company are reported at least annually to the Board.
- Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management designs, implements and maintains risk management and internal control systems to manage the Company's material business risks. As part of the monthly reporting procedure, management report to the Board confirming that those risks are being managed effectively.

The Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

A risk management committee has not been formed and no internal audit function exists. All functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by management as at the date of this report.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the CEO or CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

No CEO is appointed in the Company, but independent CEO is appointed for each controlled entity. The role of assuring a good internal control has been assumed by the Board and by the Board and management of the controlled entities.

Principle 8- Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

A Remuneration Committee has not been established.

The Company's operating controlled entities realise the importance of retaining qualified employees and of having remuneration structures and levels to be reasonable, sufficient, competent with the market and aligned with the needs of the business, by referencing to industry and to the economy as a whole.

Remuneration paid to executives and staffs is reviewed periodically by management of the controlled entities concerned, in accordance with the performance evaluation result in the individual case. No separate review is conducted for the Company as it has no executives at Parent Company level.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Non executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non executive Directors is not linked to the performance of the Company. There are no executive Directors at the Company level. Executive Directors and senior executives of the controlled entities are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

COMPANIES' DETAILS

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