



# Australia China Holdings

ARBN 067 993 506  
Unit 602, Level 6 , 193 Clarence Street, Sydney , Australia  
Email: [sec@aakch.com](mailto:sec@aakch.com)

20 July 2012

Mr Anthony Ingegneri  
Adviser, Listings  
ASX Compliance Pty Ltd  
20 Bridge Street  
Sydney NSW 2000  
Email: [anthony.ingegneri@asx.com.au](mailto:anthony.ingegneri@asx.com.au)

Dear Anthony,

**Re: Australia China Holdings Ltd (the Company)**

We refer to your email of 16 July, regarding the audited account of the Company for the year ended 31 March, 2012.

As requested we supply the following additional information:

**1. Transfer of title and payment of US\$1,000,000**

As advised in the accounts, the Company will make the US\$1,000,000 payment upon completion of the registration of a Foreign Joint Venture company. The Company is in the process of seeking approval for registering a Foreign Joint Venture company and this process requires the completion of complex and detailed documents to the satisfaction of the authorities in China. The Company expects the approval of such registration will be given by February 2013. After the approval and the structure in place, the Company can proceed with the payment of the US\$1,000,000 and the new title will be issued in about 45 to 60 days after the payment has been made.

**2 Why there is delay in the Registration of the Title**

As outlined above, to complete the transfer, it requires the registration of a Sino-Foreign Joint Venture Company ("SFJC"). The Company has spent a lot of resources to find solutions to the best structure for this business and to consider the various tax issues and the incentives provided to the local companies and to SFJC. We have spent considerable time to negotiate with local authorities so the operating Company in China can enjoy the tax benefits and



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incentives now given to local enterprises. We have considered various alternatives to enable the operating company does not miss out on all the subsidies for agriculture projects. Such negotiations are still taking place. In the event the Company cannot find a solution to this, the Company will follow the present route to incorporate a SFJC. Given the benefits that the Company would like to enjoy, the Directors believe that despite the lengthy time lag, it has been in the best interests of the Company to endeavour to find a way to obtain the benefits.

### 3. Return of Deposit Paid

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

The Company is eager this matter on title registration be resolved by end of March 2013.

Yours faithfully,

For and on behalf of

Australia China Holdings Limited

Stonely Sek

Company Secretary



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16 July 2012

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Mr Nelson Chiu  
Managing Director  
Australia China Holdings Limited  
Level 10, Suite 1006  
50 Clarence Street  
SYDNEY NSW 2000

By E-mail:

Dear Nelson,

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

ASX refers to the following:

- The Company's Annual Report for the period ended 31 March 2012, released to ASX Limited ("ASX") on 28 June 2012 (the "Annual Report").
- The Independent Auditor's Report on pages 8 and 9 of the Annual Report (the "Auditor's Report") which contains the following qualification ("Qualification"):

**"Qualification"**

**Basis for Qualified Opinion**

*The Economic Entity has made deposits amounting to A\$73,098,290 on a piece of farmland in Inner Mongolia where the title of the land can only be transferred to the Economic Entity when a China Incorporated Joint Venture Company is registered and incorporated. As at the date of this report, the new China Incorporated Joint Venture Company has not been registered and incorporated and as a result, the title of the land has not been transferred to the Economic Entity. A subsidiary of the Economic Entity, ECO-Agriculture Group Limited ("ECO") shall register the title of this farmland after the incorporation of a China Incorporated Joint Venture Company and on payment of registration and other charges of about USD\$1,000,000. However, given the significant delays experienced in the transfer of the land title to the Economic Entity, we have not been able to obtain sufficient appropriate evidence on the recoverability of the deposits paid on the land acquisition.*

**Qualified Opinion**

*In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the IFRS so as to give a true and fair view of the financial position of the Economic Entity and of the Parent Entity as at 31st March 2012 and of their financial performance and cash flows for the financial year ended on that date.*

- The Director's Declaration on page 7 of the Annual Report which states that:

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

- (a) *give a true and fair view of the Parent's Entity's and the Economic Entity's statements of financial position as at 31 March 2012 and of their statements of comprehensive income, as represented by the result of their operations and their cash flows, for the financial year 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 31<sup>st</sup> March 2012.*
- (b) *The statements of financial position are drawn up so as to give a true and fair view of the state of the affairs of the Parent Entity as at 31 March 2012.*
- (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.*

### **Questions**

In light of the Qualification, we request that the Company respond to each of the following:

1. When does the Company anticipate making the payment of USD\$1,000,000 payment in order to register and incorporate the China Incorporated Joint Venture Company, and transfer title of the land to the Economic Entity?
2. Please provide the reason for the significant delay in the transfer of land title to the Economic Entity.
3. In the event that transfer of land title (including registration and incorporation of the China Incorporated Joint Venture Company) does not occur, is the A\$73,098,290 deposit paid by the Economic Entity recoverable by the Company?

Your response should be sent to me by email at [anthony.ingegneri@asx.com.au](mailto:anthony.ingegneri@asx.com.au) or by facsimile on **facsimile number (02) 9241 7620**. It should **NOT** be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than the close of business (**i.e. before 5:00 pm AEST) on Friday, 20 July 2012**).

Under listing rule 18.7A, a copy of this query and your response may be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.



- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

*(sent electronically without signature)*

Anthony Ingegneri

**Adviser, Listings (Sydney)**