



Australia China Holdings Limited

ARBN 067 993 506

28 Bangalla Road, Rose Bay, NSW 2029, Australia

Email: sec@aacch.com

24 August, 2016

Isabella Wong
Advisor, Listing Compliance
ASX Compliance Pty Limited

By e-mail

Dear Isabella,

We refer to your letter dated 19 August 2016, our response is as follows:

1. Given that the Qualified Opinion relates to the Auditor's inability to obtain sufficient appropriate audit evidence to determine whether any adjustments are necessary to the carrying amount of the two investments, *JMC China Strategy Inc. and Pacific Resources Enterprises Limited* as stated in the Auditor's Report, what steps does the Company intend to take to obtain an unmodified audit/review report for future financial periods?

As an investment the Company is holding 19% equity interest in JMC China Strategy Inc. and Pacific Resources Enterprises Limited, respectively. The Company has requested both companies to provide us with their latest audited reports for our accounting purposes, and the companies have agreed to do so once their reports are available.

2. How has the Company satisfied itself that the carrying amount of JMC China Strategy Inc. and Pacific Resources Enterprises Limited is true and fair?

Should the respective companies' asset value is less than our cost of investment, then the Company will consider with our auditors whether to make any necessary provision on these investments.

3. Please provide an update in relation to the status of the incorporation of the joint venture company and transfer of the title of land referred to in Note 14 to the Financial Statements and the Emphasis of Matter. In responding to this question, please include the following information:

3.1. A detailed explanation of the reasons for the significant delay. Page 4 of 5

The title of the land is to be transferred to a new incorporated joint venture company where the Company's wholly owned subsidiary will hold the majority of the issued share capital. This required the payment about USD1,000,000 for the registration and other charges, the Company was not in a position to do so until our the completion of rights issue in November, 2015.

Unfortunately, the matter has been outstanding for a considerable time primarily due to a previous lack of funds. A further complication was the death of the previous Chairman Mr. Nelson Chiu. Now with the funds in place, the Company is moving to re-establish the contacts with the local government and our partners in Inner Mongolia to expedite the matter.



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3.2. The basis upon which the Company is confident that the joint venture company will be incorporated soon and the title transfer will take place within the next 3 months.

In order to expedite the process, the Company has engaged the services of one of our major shareholder's, Blesswin Investments Limited. Blesswin, who has very good connection in Inner Mongolia China and it's management had been helping out Mr. Chiu previously on the matter, to negotiate with the local government and process the necessary registration. Blesswin has given us their undertaking to accomplish the land title transfer by the end of the year, this is due to the requirement of new business plan (see 3.3 (b) below). With this new direct approach and contacts we are confident that it can finally be completed.

3.3. Details of the steps being taken by the Company to expedite the incorporation of the joint venture company and title transfer.

As mentioned, the Company have engaged Blesswin, who is well connected in the region, to handle the matter and according to it's progress report,

- a) they have met and held meaningful discussions with the Chinese JV partners and have jointly met with the local village committee on the subject matter,
- b) the local authority is requiring the JV to submit an updated business plan on the intended land usage and we had engaged a science and research institute in Beijing to prepare the report for us. The preparation of this report is expected to be completed within the next two months.
- c) Blesswin is confident that the land title can be transferred within the time frame.

3.4. An explanation of the circumstances under which the Company would consider that the title transfer has failed and the Company is entitled to a refund of the whole amount of the deposit paid from the vendor.

The Vendor, who received the deposit, is of substantial worth and owns many pieces of land and operations inside Mainland China. The Company, through Blesswin, has been working very closely with the Vendor to resolve the various issues concerning the land registration. The Company has received undertaking from the Vendor that the registration of the title can definitely be completed and the Vendor has given assurances that they undertake to refund all the amounts paid should the local government refuse to allow the registration of the title. However it is unlikely that registration will be denied.

4. Is the Company of the view that its level of operations is sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1?

The Company is of the opinion that it's level of operations is sufficient to warrant continued quotation and it's continued listing on ASX in accordance with the requirements of listing rule 12.1 (see question 8 below).

5. If the answer to question 4 is "Yes", please explain the Company's basis for this view, having regard to the



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fact that the Company has not been able to earn revenue from each of the principal activities referred to in the Annual Report.

The Company has undergone a change of management and has been pro-actively pursuing new opportunities as well as assessing its other activities. The Company is currently investigating some opportunities, in the trading of industrial and health products areas which may include Australian companies and products, and expects to make an announcement in the near future.

(See question 8 below)

6. If the answer to question 4 is “No”, please explain what steps the Company has taken, or proposed to take, to warrant the continued quotation of the Company’s securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1.

7. Is the Company of the view that its financial condition (including its operating results) are sufficient to warrant continued quotation of the Company’s securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2?

The Company is of the opinion that its financial condition (including its operating results) are sufficient to warrant continued quotation in accordance with the requirements of listing rule 12.2. The Company currently holds sufficient cash reserves to meet the payment of the land transfer, also holds sufficient working capital. The balance sheet also shows that it has a very strong asset base and very little debt. The Company is also of the opinion that it will be able to make an acquisition which will also improve the cash flow of the Company.

8. If the answer to question 7 is “Yes”, please explain the basis for this view. Specifically, the Company should submit the reasons (including any previous disclosures made to the market) it considers relevant, given the matters outlined in the Qualified Opinion and Emphasis of Matter.

The Company is of the opinion that it is in compliance with listing rules 12.1 and 12.2, after the sudden death of the late Chairman in late 2014, the Company had been managed by the new Board led by the new Chairman, Mr. Lam. The new Board and new management have been working very hard and had taken a pro-active approach to improve both the operation and financial position of the Company, and have been working towards restructuring and increasing the value of the Company, which had resulted into many new milestones, such as,

- a) to improve the company’s financial position, by successfully completing a rights issue in November, 2015.
- b) As part of the restructure the Company had signed a MOU to acquire a company which would have given the Company the controlling interest of an operating hotel in Cambodia including a guaranteed profit of 10% per annum for the first two years. Also as part of the transaction there is Deutsche Bank underwriting for a USD120 mil REIT for the project. If this proceeds this will substantially improve the Company’s revenue and financial position and asset base.



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- c) The Company has also been involved in discussions with other parties, primarily in the e-commerce area. This look promising as they carry bank guaranteed profits in the order of USD12m within the first 18 months, there are also further strategic alliances in the e-travel and e-finance businesses. Again if successful this will further enhance the Company's operational and financial position.

The new management will continue seek out revenue driven and profit making businesses for the Company, to restructure and improve the Company's operational and financial position, in order to restore and improve the value of the Company for the benefit of the Shareholders.

9. If the answer to question 7 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2.

10. Please confirm that the Company is in compliance with listing rules and, in particular, listing rule 3.1.

The Company is also of the opinion that it is compliance with the Listing Rules particularly with Listing Rule 3.1. The Company is aware of it's obligations and will inform shareholders and ASX of significant matters affecting the Company and as such is committed to make full disclosure of all significant events on a timely basis.

Should you require further information, please send your enquiry to the Company Secretary by email to sec@aakch.com.

Yours faithfully
For and on behalf of
Australia China Holdings Ltd



Stonely Sek
Company Secretary



19 August 2016

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

By Email

Dear Mr Sek,

Australia China Holdings Limited (the "Company")

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

1. The Company's Appendix 4E for the financial year ended 31 March 2016, lodged on the ASX Market Announcements Platform on 31 May 2016 stating that no operating income was generated, and the net profit after taxation of \$1,113,486 resulted from other revenue being written back.
2. The Company's annual report for the financial year ended 31 March 2016, lodged on the ASX Market Announcements Platform on 30 June 2016 (the "2016 Annual Report") which states that the Company's activities "continue to be in investment holding, property, agriculture, financial and advisory services".
3. The Independent Auditor's Report set out on pages 12 to 13 of the Annual Report (the "Auditor's Report") which contained a qualified opinion (the "Qualified Opinion") and emphasis of matter (the "Emphasis of Matter"), stating the following:

Basis for Qualified Opinion

The company's investments in JMC China Strategy Inc. and Pacific Resources Enterprises Limited, foreign companies incorporated in China, are accounted for on a cost basis and are carried at \$3,172,142 on the Consolidated Statement of Financial Position as at 31 March 2016. We are unable to obtain sufficient appropriate audit evidence about the carrying amount of the company's investment in these two companies. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

Emphasis of Matter

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As disclosed in the note 14 to the financial statements, the company's wholly owned subsidiary signed a contract to acquire interest in a farm land located in the Inner Mongolia Autonomous Region of China in 2007. The title of the land will be transferred to a new incorporated joint venture company whereas the company's wholly owned subsidiary holds the majority of the issued share capital of this joint venture company. The total consideration equivalent to AUD \$75,613,288 at that time were paid to the vendor and was recorded as deposits paid on the Consolidated Statement of Financial Position. This amount represents over 95% of the company's net assets as at 31 March 2016. As at the date of this report, registration of the incorporated joint venture company is still not complete and title of the land is not yet transferred. Our opinion is not modified in respect of this matter.

4. Note 14 to the Financial Statements in the Annual Report which states, in relation to the interest referred to in the Emphasis of Matter:

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

5. The Company's response to an ASX query letter dated 16 July 2012 (the "Response"), lodged on the ASX Market Announcements Platform on 23 July 2012, addressing queries raised by ASX in relation to a qualified audit opinion in the Company's annual report for the financial year ended 31 March 2012 which outlined similar issues raised in the Emphasis of Matter. The Response stated as follows:

"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".

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

Relevant listing rules and guidance

ASX also refers to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.1, which states that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.
- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

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

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

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

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

Questions for response

In light of the information contained in the Annual Report, and referring to the listing rules above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Given that the Qualified Opinion relates to the Auditor’s inability to obtain sufficient appropriate audit evidence to determine whether any adjustments are necessary to the carrying amount of the two investments, *JMC China Strategy Inc. and Pacific Resources Enterprises Limited* as stated in the Auditor’s Report, what steps does the Company intend to take to obtain an unmodified audit/review report for future financial periods?
2. How has the Company satisfied itself that the carrying amount of *JMC China Strategy Inc. and Pacific Resources Enterprises Limited* is true and fair?
3. Please provide an update in relation to the status of the incorporation of the joint venture company and transfer of the title of land referred to in Note 14 to the Financial Statements and the Emphasis of Matter. In responding to this question, please include the following information:
 - 3.1. A detailed explanation of the reasons for the significant delay.

- 3.2. The basis upon which the Company is confident that the joint venture company will be incorporated soon and the title transfer will take place within the next 3 months.
- 3.3. Details of the steps being taken by the Company to expedite the incorporation of the joint venture company and title transfer.
- 3.4. An explanation of the circumstances under which the Company would consider that the title transfer has failed and the Company is entitled to a refund of the whole amount of the deposit paid from the vendor.
4. Is the Company of the view that its level of operations is sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1?
5. If the answer to question 4 is "Yes", please explain the Company's basis for this view, having regard to the fact that the Company has not been able to earn revenue from each of the principal activities referred to in the Annual Report.
6. If the answer to question 4 is "No", please explain what steps the Company has taken, or proposed to take, to warrant the continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.1.
7. Is the Company of the view that its financial condition (including its operating results) are sufficient to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2?
8. If the answer to question 7 is "Yes", please explain the basis for this view. Specifically, the Company should submit the reasons (including any previous disclosures made to the market) it considers relevant, given the matters outlined in the Qualified Opinion and Emphasis of Matter.
9. If the answer to question 7 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued quotation of the Company's securities and its continued listing on ASX in accordance with the requirements of listing rule 12.2.
10. Please confirm that the Company is in compliance with listing rules and, in particular, listing rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 5.00 pm. AEST on Thursday, 25 August 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3. Your response should be sent to me by return e-mail. It should not be sent to the Market Announcements Office.

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

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

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

Yours sincerely,

[sent electronically without signature]

Isabella Wong

Adviser, Listings Compliance (Sydney)