

APPENDIX 1: FORM OF LETTER OF APPLICATION

1 December 2014

Mr Ian Craig
Companies Manager
National Stock Exchange of Australia Limited
Suite 1.2
415 Riversdale Road
HAWTHORN EAST VIC 3123

Dear Mr Craig,

China Herbal Medicine Limited: Application to list on the NSX

This is the formal application by China Herbal Medicine Limited to list its ordinary fully paid securities on the National Stock Exchange of Australia Limited (NSX).

In compliance with the terms of the Appendix 1A of the NSX Listing Rules, our responses to your specific questions are as follows:

1. General

(1) the name of the applicant and the date and place of incorporation;

China Herbal Medicine Limited. The Company was incorporated in Victoria, Australia on 7th April 2014.

(2) if not incorporated in Australia, the date on which the applicant became registered under the Corporations Act;

Not applicable

(3) the address of the principal registered office and the address of each office at which a share register is kept;

The registered office is Level 25, Aurora Place, 88 Phillip Street, Sydney NSW 2000, Australia.

Boardroom Pty Limited is the share registry for the Company. The address of the share registry is 7/207 Kent St, Sydney NSW 2000

(4) a formal request for the listing of the securities in respect of which application is made, specifying the nature of the securities and the amount, class, the voting rights attached and whether they are to be fully paid;

Class of Share	Ordinary Share
Share currently on issue (fully paid)	68,744,700
Options currently on issue	Nil
Share in offer	Nil

Total shares on issue and to be quoted	68,744,700
Estimated market price per share (To be quoted)	\$0.20
Estimated Market Capitalisation as per the above price	\$13,748,940
Voting Rights	Subject to any rights or restrictions for the time being attached to any class or classes of Shares whether by the terms of their issue, the Constitution, the Corporations Act or the NSX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary Shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll has one vote for each fully paid Share held. A person who holds an ordinary Share that is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion that the amount paid bears to the total issue price of the Share. Where there are two or more joint holders of the Share and more than one of them is present at a meeting and tenders a vote in respect of the Share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other in the Company's register of members.

- (5) **the proposed method by which the *securities* are to be brought to *listing* and details of any proposed distribution of the *securities*;**

The company is proposing a compliance listing. The company has 66 shareholders. It does not propose to raise any capital to bring the company to listing. The Company does not propose to raise any capital in the next 3 months.

Summary of shareholding

Category holding	No of shareholders	No of shares	Shareholding
1-10,000 shares	1	10,000	0.014546576
10,001-30,000 shares	16	330,000	0.004800370
30,001-10,000,000 shares	48	16,983,600	25.180559374
10,000,001-100,000,000 shares	1	51,421,100	74.80009368
Total	66	68,744,700	100%

- (6) **the estimated market capitalisation of the *securities* for which a *listing* is sought;**

\$13,748,940.

- (7) **an estimate of the net proceeds of any proposed issue and the intended use of the proceeds; and**

The Company is seeking a compliance listing on NSX. Therefore, no proceeds will be raised from the compliance listing.

- (8) **the name of any other stock exchange on which any securities of the issuer are already listed and/or traded.**

The Company's securities are not listed on any other stock exchange.

2. Share capital and ownership

- (1) **A list in tabular form of:**

- (i) **the designation or title of each class of share;**

The Company only has one class of share being ordinary shares. Please refer to 1(4) above.

- (ii) **the number of shares issued;**

68,744,700 ordinary shares are currently on issue.

- (iii) **the voting rights attached to each share;**

All shares have the same voting right. Each share has one vote. Please refer to 1(4) above.

- (iv) **the amount of fully paid up shares;**

68,744,700

- (v) **the shareholdings of the directors and officers of the issuer; and**

Mr. Li Yanlong indirectly holds 51,421,100 shares in the company via Hailong Investment Co., Ltd.

- (vi) **so far as is known, or can be ascertained after reasonable enquiry, the names of all shareholders of the issuer who own five percent (5%) or more of the shares of the issuer and their respective shareholdings.**

Shareholders	Class	Number of shares	Shareholding (%)
Hailong Investment Co., Ltd	ORD	51,421,100	74.81%

- (2) **A list in tabular form of the names of all shareholders of the issuer including the dates that the shares were allotted to them, the consideration that they provided and the number of share's that are held.**

A list of shareholders is enclosed with this letter of application in Appendix 1.

3. Securities

An outline of the principal terms of the securities the applicant wishes to list.

The Company is going to list all the ordinary shares as specified in 1(4) above.

4. History and nature of business

A short introductory paragraph describing the general nature of the business and products of the applicant. A brief history of the *issuer* for the last five (5) years or, if later, from inception to the date of the application. A description of the business now conducted by the *issuer* and its *child entities*, including principal products manufactured, services performed or investments held, principal markets for products and raw materials, method of marketing, annual turnover for the preceding three (3) financial years and for the current financial year to the latest date available.

Please refer to Chapter 4 of the Information Memorandum for a description of the business.

5. Summary of earnings

A summary of earnings, on a consolidated basis if the applicant has *subsidiaries*, for the last three (3) financial years, showing sales, earnings before charges for depreciation, interest and tax (if any), the amount of each of those charges, net income before extraordinary items, extraordinary items, net income and earnings per share.

Please refer to Chapter 8 of the Information Memorandum for the Summary of earnings.

6. Tabulation of balance sheet

A tabulation of its balance sheet for each of the last three (3) financial years (on a consolidated basis if the *issuer* has *subsidiaries*) or from the date of incorporation, if shorter. The tabulation should include a calculation of the net asset value per *security* for each of the three (3) financial years.

Please refer to Chapter 8 of the Information Memorandum for the tabulation of balance sheet.

7. Employees

A statement as to the total number of persons regularly employed and, if subject to seasonal fluctuations, the maximum and minimum numbers employed during the preceding twelve (12) months.

China Herbal Medicine Limited employs no staff. It is a holding company established for the purpose of listing on the NSX. The 99% owned subsidiary Gansu Dahe employs approximately 17 staff.

8. Child entities

A tabular list of all *child entities* showing in respect of each such corporation:-

- (1) the name of the corporation;
- (2) a brief statement of the nature of its business and its relationship to the operations of the entire enterprise; and
- (3) share capital by classes, showing the amount issued and the amount owned by the holding entity.

Subsidiary Name	Nature of business	Share capital by classes, amount issued and owned by the holding entity
Gansu Dahe Herbal Medicine Development Company Limited (Gansu	Traditional Chinese herbal medicine	Under Chinese company law, only public companies (such as companies listed on a stock exchange or joint stock system companies) use the concept of shares, most companies use equity interest. China Herbal Medicine Limited therefore does not hold shares in Gansu Dahe but rather has a 99% equity interest in

Dahe)		Gansu Dahe.
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9. Dividend record

State the number of consecutive years in which dividends has been paid. State the amount of dividend (per share and in the aggregate) paid by the applicant (and its *child entities*) for each of the three (3) preceding years. Indicate whether dividends have been paid on a quarterly, semi-annual or annual basis. State the record date, payment date and the date of declaration with respect to each dividend paid during the past two (2) years.

The Company has not declared or paid any dividends since its incorporation. The payment of dividends by the company in the future will depend on the company's financial performance, working capital requirements and plans for future investment.

10. Properties

Describe briefly the general character of the properties of the applicant and its child entities, including:

- (1) location;
- (2) land area;
- (3) number of buildings;
- (4) aggregate floor area of buildings; and
- (5) whether properties are owned or leased, and if leased, state total rental paid for each of the three (3) preceding financial years and average term of years.

The company leases premises for its operations. Please refer to Chapter 4 of the Information Memorandum.

11. Litigation

Particulars of any litigation or claims of material importance made against any member of the group in the last five (5) years or which is pending or threatened against any member of the group, or an appropriate negative statement.

As at the date of this letter, the Company is not involved in any litigation or arbitration and the Directors are not aware of any legal action pending.

12. Management

- (1) the full name, residential address and description (being his or her qualifications or area of expertise or responsibility) of every *director* or proposed *director* and any *person* who performs an important administrative, management or supervisory function and particulars of the principal functions performed by each of them within the *group* if significant to the group;

Name	Principle function	Address
Li Yanlong	Chairman and CEO	No. 2, Zhong Lu Zi, Chengguan District, Lanzhou City, Gansu Province, PRC, 730000
Lei Dan	Non-executive director	78 Ronald Ave, Lane Cove, NSW 2066, Australia

Jiang Ting	Non-executive director	5 Shetland Close, Vermont South, VIC 3133, Australia
Li Ruoning	Non-executive director	2106, 39 Lonsdale Street, Melbourne 3000, Australia

- (2) the nature of any family relationship between the *persons* mentioned in (1);

Ms. Lei Dan is Mr. Li Yanlong's wife.

- (3) a brief account of the business experience of each of these *persons* during the last five (5) years;

Please refer to Chapter 5 of the Information Memorandum.

- (4) indicate any other directorships held by each *director* or proposed *director* in any publicly *listed* or traded companies; and

Please refer to Chapter 5 of the Information Memorandum.

- (5) state if any *director* or proposed *director* has, in any jurisdiction, been convicted in any criminal proceeding or has had a bankruptcy petition filed against him or her or any partnership in which he was a partner or anybody corporate of which he was a *director* or has been sanctioned or otherwise disciplined by any self-regulatory securities association of which he or she is or has been a member or any securities supervisory or regulatory body or any such event is pending.

No director or proposed director has, in any jurisdiction, been convicted in any criminal proceedings or has had a bankruptcy petition filed against him or her or any partnership in which he was a partner or anybody corporate of which he was a director or has been sanctioned or otherwise disciplined by any self-regulatory securities association of which he or she is or has been a member of any securities supervisory or regulatory body or any such event is pending.

13. Sponsors, bankers, etc.

- (1) the names and addresses of the *issuer's* sponsor, financial advisers, principal bankers, nominated adviser, share registrar/transfer agent and solicitors; and

The Company will seek NSX to waive the requirement to appoint a sponsoring broker.

Position	Name	Address
Australian legal adviser and nominated adviser	Connell Lawyers	242 Angas Street Adelaide South Australia 5000
Share registrar/transfer agent	Boardroom Pty Limited	7/207 Kent St, Sydney NSW 2000
Chinese legal adviser	Beijing Dacheng Lawyers (Shenzhen Office)	10/F Gongjiao Building 1001 Lianhua Branch Road, Futian District, Shenzhen, PRC, 518036

Please refer to the corporate directory of the Information Memorandum.

- (2) the name, address and professional qualifications of the *issuer's* auditors.

Grant Thornton Audit Pty	Chartered accountants and	Level 1, 67 Greenhill
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Ltd	registered company auditors	Road Wayville SA 5034
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14. Statement of non-compliance

A statement of any requirements of the Listing Rules which cannot be met by the applicant and detailed arguments to support any request for a waiver or modification of the normal requirements.

China Herbal Medicine Limited will meet each of the requirements of the NSX Listing Rules.

Yours faithfully



Mr. Li Yanlong
Chairman
China Herbal Medicine Limited

15. Declaration

A declaration, stated to be to the best of the *issuer's* knowledge, information and belief that:

- (1) save as specified in the application letter, all the qualifications for *listing* set out in Chapter 3 of Section IIA of the *Listing Rules* have, in so far as applicable and required to be met and fulfilled prior to application, been met or fulfilled in relation to the *issuer* and the securities of the *issuer* the subject of the application;
- (2) all information required to be included in the *disclosure document* pursuant to Rule 4.8 and the *Corporations Act* will be included; and
- (3) there are no other facts bearing on the *issuer's* application for *listing* which, in the *issuer's* opinion, should be disclosed to the *Exchange*.

EXECUTED by China Herbal Medicine Limited

In accordance with section 127(1) of the Corporations Act 2001(Cth) by:



Director

LI Ruoning
Print name



Director / Secretary

JIANG TING
Print name