Ding Sheng Xin Finance Co. Limited

2016 FINANCIAL REPORT
For the year ended 31 December 2016

鼎盛鑫融资担保

Contents

Corporate Directory

Directors
Mr Winton Willesee
Non-Executive Chairman

Mr Guo Zhenhua
Managing Director

Ms Tang Wenfeng
Executive Director
Chief Operating Officer

Ms Kathy Yuan
Non-Executive Director

Joint Company Secretaries
Mr Winton Willesee

Ms Erlyn Dale

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ASX Code
DXF

Share Registry
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Perth WA 6000

Corporate Adviser
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11F, Magnolia Plaza, No. 365 West Huaihai
Shanghai 200030
People's Republic of China

Auditor
Assurance Adelaide Pty Ltd
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Adelaide SA 5000

Australian Legal Adviser
Price Sierakowski Corporate
Level 24, 44 St Georges Terrace
Perth WA 6000

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Director's Report

The Directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of Ding Sheng Xin Finance Co. Limited (referred to here after as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year ended 31 December 2016.

The Company was incorporated on 9 January 2015. As a result of transactions throughout the prior year the financial statements have been prepared as if the Company operated as a group for the full current and comparative period. Please refer to Note 1(b) in the financial statements for further information.

Directors

The following persons were directors of Ding Sheng Xin Finance Co. Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Winton Willesee	Non-Executive Director and subsequently appointed Chairperson on 21 November 2016
Mr Guo Zhenhua	Managing Director
Ms Tang Wenfeng	Executive Director and Chief Operating Officer
Ms Kathy Yuan	Non-Executive Director
Ms Chang Chen	Non-Executive Chairperson (resigned 21 November 2016)
Mr James Zhong	Non-Executive Director (resigned 9 January 2017)

Operating and Financial review

Overview

Ding Sheng Xin Finance Co. Limited (ASX: DXF) is the ASX-listed parent company of the DXF Group. Through its wholly owned operating subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd ("DSX"), the Group provides financing and non-financing guarantee services to small and medium enterprises (SMEs) and individuals in the People's Republic of China ("PRC").

Financing guarantee services represent the Group's core business and involves the guarantee of a borrower's loan repayments to a bank. DSX has two flagship guarantee services which are the "Home Decoration Guarantee" (branded as "Gai Chao Huan Dai" in the PRC) and the "Working Capital Guarantee" (branded as "Ze Wu Pang Dai" in the PRC) which services the SME market.

In addition, DSX also provides non-financing guarantee services, such as performance guarantees (the guarantee of a party's obligations under a contract) and litigation guarantees (the guarantee of a party's obligations to court during litigation).

Since the establishment of its business in 2005, DSX has grown to 19 operating branches employing over 300 people across 4 provinces in the PRC.

The Group is committed to the concept of 'inclusive finance', believing that people and businesses from all sectors of society should have the opportunity to obtain the finance they need to realise their aspirations.

Director's Report

Review of Operations

The 2016 financial year was a very successful year for the Group. The first quarter of 2016 saw the successful listing of the Company's securities on the Australian Securities Exchange on 3 March 2016 following the completion of a well-supported IPO capital raising under which the Company raised $10.268 million.

As the first Chinese financing guarantee group to list on the ASX, the achievement of this important milestone has not only facilitated the Group's access to a sophisticated capital market to support the expansion of the Group's business throughout the People's Republic of China, but has also garnered the respect and support of the local government, the finance industry, and its customers in China.

Funds from the listing accelerated the group's national expansion strategy and the opening of new branches has increased the regions that we serve. The Group now has 19 branches across China.

The Group expanded its non-financial guarantee services, diversifying our product range. These services are guarantees for obligations other than the repayment of loans or other forms of debt. Typically, the Group acts as an intermediary between two or more organisations, charging a fee in return for guaranteeing the obligations of one individual or organisation to another.

The Group also launched new finance guarantee products, targeting customers with existing loans seeking improved refinancing terms, and provincial government customers aiming to finance local infrastructure projects. For these products the Group acts as an intermediary between borrowers and financial institutions such as banks. Typically, the Group is paid a fee for guaranteeing a borrower's repayment obligations. The availability of this guarantee helps consumers and SMEs gain access to funds.

The Group is expanding, and continues to seek new members with industry expertise to strengthen the management team.

Financial Performance

2016 continued the Group's strong growth momentum. Revenue increased to $23,960,000, up 20% from $19,907,000 in the previous year. This demonstrates the positive impact of the Group's national expansion strategy. Earnings before income tax were $18,062,000, up 39% from $13,023,000. We were very pleased to report a net profit for the year of $15,314,000. This was an outstanding performance and an increase of 45% from $10,614,000.

Earnings per share were 3.0 cents, up from 2.1 cents per share.

At 31 December 2016, the Group held $92,972,000 in cash and cash equivalents, as well as $36,545,000 in security deposits.

Net assets were $170,056,000, up from $155,428,000.

Despite the slowing of economic growth in China, strict management controls and an innovative business model facilitated profitable growth.

Director's Report

Dividend

Following strong revenue growth, the Company declared a dividend of 1 cent per share on 30 September 2016. While payment has been delayed due to recent changes in regulatory processes related to the transfer of funds from China, it is anticipated that the relevant approvals will be provided shortly.

Board changes

During the year, the Board of the Company appointed its Australian-based non-executive director, Mr Winton Willesee, as the Company's Chairman following the retirement of former Non-Executive Chairman, Ms Chang Chen on 21 November 2016 and subsequent retirement of Mr James Zhong on 9 January 2017.

It is the Board's intention to increase its complement with new skills and experience, and we are seeking a suitable appointment to support the Company's future growth.

Outlook

Subsequent to the end of 2016, that the Company was included in the Australian All Ordinaries Index effective 20 March, 2017. This representation in the index for the top 500 Australian companies by qualifying market capitalisation increases the Company's attractiveness as an investment for institutional investors.

The Group's national expansion strategy is progressing and plans are underway to establish further new branches during 2017. While the focus is on organic growth, we are also working to identify opportunities for acquisition where this would be value accretive for shareholders.

The Group's underlying business is profitable and strong, and well positioned for continued growth.

The Board and management would like to take this opportunity to thank our employees for their hard work. Their enthusiasm and expertise helps drive growth, and we are grateful for their effort and dedication.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The Group predominantly provides financing guarantee services, such as the guarantee of a borrower's loan repayment to a bank

The Group also provides non-financing guarantee services such as performance guarantees (the guarantee of a party's obligation under a contract) and litigation guarantees (the guarantee of a party's obligations to court during litigation).

No significant change in the nature of these activities occurred during the year.

Director's Report

Events subsequent to the end of the reporting date

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

Future development, prospects and business strategies

The Group endeavours to develop into the leading guarantee service provider in China. The Group is expanding its business in both Guiyang Province (where its headquarters are located) and in China by merging and acquisition.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia. The operations of the Company are regulated by Chinese Environmental Laws. There have not been any breaches under Chinese Environmental Laws since the start of the financial year to the date of this report unless otherwise stated.

Dividends paid or recommended

Dividend declared on 30 September 2016 at 1c per share.

Information on the directors

Name:	Mr Guo Zhenhua
Title:	Managing Director
Qualifications:	Master of Laws from Southwest Politics and Law University, Master of Business Administration from University of Illinois
Experience and expertise:	Before founding Ding Sheng Xin Financing Guarantee Co., Ltd in 2005, Mr Guo joined and established several companies where he took key positions. From 1985 to 1993, Mr Guo worked at the Pricing Bureau of Guiyang City. Following this role, Mr Guo founded and managed his own business including a guarantee company.
Other current directorships:	None
Former directorships(last 3 years):	None
Special responsibilities	None
Interest in shares	211,100,000 arising through his 100% shareholding interest in Grandeur Times Limited.
Interest in options	None
Contractual rights to shares	None

Director's Report

Information on the directors (cont'd)

Name:	Ms Tang Wenfeng
Title:	Executive Director, Chief Operating Officer
Qualifications:	Economics Degree from Yunnan University, Masters of Business Administration from People's Bank of China Graduate School
Experience and expertise:	Ms Tang has been the Chief Operating Officer of Ding Sheng Xin Guarantee Co., Ltd since its establishment in 2005.
Other current directorships:	None
Former directorships(last 3 years):	None
Special responsibilities	None
Interest in shares	112,250,000 arising through her 100% shareholding interest in Next Triumph Limited.
Interest in options	None
Contractual rights to shares	None

Name:	Mr Winton Willesee
Title:	Non-executive Chairman
Qualifications:	Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia/Chartered Secretary
Experience and expertise:	Mr Willesee is an experienced company director. He brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.
Other current directorships:	MMJ Phytotech Limited, Metallum Limited, xTV Networks Limited

Director's Report

Information on the directors (cont'd)

Former directorships(last 3 years):	Otis Energy Limited (now iSignthis Limited), Base Resources Limited, Newera Resources Limited (now Consolidated Zinc Limited), Coretrack Limited (now LWP Tech Limited), Torrens Energy Limited (now High Peak Royalties Limited), Birimian Limited, DroneShield Limited, Cove Resources Limited (now BidEnergy Limited), Basper Resources (now DirectMoney Limited), Base Resources, Bioprospect Limited (now Medibio Limited)
Special responsibilities	Chairman of the Board of Directors
Interest in shares	None
Interest in options	None
Contractual rights to shares	None

Name:	Ms Kathy Yuan
Title:	Non-executive Director
Qualifications:	1991 – 1995 Southwest University of Nationalities - Bachelor of law. 2004-2006: Chisholm Institute of T.A.F.E -Certificate II in financial service (accounts clerical) -Diploma of accounting
Experience and expertise:	Ms Kathy Yuan has over 15 years of business experience in Australia in both the private and civil services sectors. Ms Yuan's strengths include identifying businesses with high potential based on changing market conditions, acquiring and stabilising the business, then steering the business towards growth.
Other current directorships:	None
Former directorships(last 3 years):	None
Special responsibilities	Former Chair of the Audit and Risk Committee
Interest in shares	None
Interest in options	None
Contractual rights to shares	None

Director's Report

Information on the directors (cont'd)

Name:	Ms Chang Chen
Title:	Non-executive Director (resigned 21 November 2016)
Qualifications:	Masters of Accounting from Beijing Technology and Business University, Certified Public Accountant
Experience and expertise:	Ms Chang is the managing director of Dao Capital which is a leading finance advisory firm located in Shanghai. Ms Chang is a Certified Public Accounting in the PRC with extensive experience in financing, capital markets and corporate management. From 2006 to 2009, Ms Chang was a lecturer of the Association of International Accountants and served as a business analyst in the management consulting department of Synovate. Ms Chang joined Dao Capital in 2009, at which she works in private placements and IPOs in multiple markets such as South Korea, Hong Kong and the United States. Ms Chang is familiar with financial management and strategic planning, and has rich experience in financial analysis and financial projections.
Other current directorships:	None
Former directorships(last 3 years):	None
Special responsibilities	Former Chairman of board of directors, Former Member of Audit and Risk Committee
Interest in shares	None
Interest in options	None
Contractual rights to shares	None

Name:	Mr James Zhong
Title:	Non-executive Director (resigned 9 January 2017)
Qualifications:	Registered Migration Agent, Licensed Real Estate Agent
Experience and expertise:	Mr Zhong has over 20 years of business experience in Australia. He is familiar with business management in many industries, including education, immigration, tourism, real estate and health care products.
Other current directorships:	None
Former directorships(last 3 years):	None
Special responsibilities	Former Member of Audit and Risk Committee
Interest in shares	None
Interest in options	None
Contractual rights to shares	None

Director's Report

Company Secretaries

Mr Winton Willesee – Joint Company Secretary

Winton Willesee has over 15 years of experience as a company secretary and director with particular experience with Australian public and ASX listed companies.

Mr Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia / Chartered Secretary.

Ms Erlyn Dale – Joint Company Secretary

Ms Erlyn Dale has a board range of experience in company administration and corporate governance having held the position of Company Secretary with several ASX-listed and unlisted corporations. Ms Dale holds a Bachelor of Commerce (Accounting and Finance), and a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

Director Meetings

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors' Name	Board Meetings		Audit and Risk Committee*		Nomination and Remuneration Committee*	
	A	B	A	B	A	B
Mr Zhenhua Guo	3	3	-	-	-	-
Mrs Wenfeng Tang	3	3	-	-	-	-
Mrs Chen Chang	3	-	-	-	-	-
Mr James Zhong	3	-	-	-	-	-
Mrs Kathy Yuan	3	-	-	-	-	-
Mr Winton Willesee	3	3	-	-	-	-

- **Column A** is the number of meetings the Director was entitled to attend
- **Column B** is the number of meetings the Director attended.

* due to the size of board and current nature and scale of the Company, the function of Audit and Risk Committee and Remuneration and Nomination Committee is now conducted collectively by the board.

Director's Report

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Group's remuneration policy for executive directors (including the Chief Executive Officer) and senior management is designed to promote superior performance and long term commitment to the Group. Executives receive a base remuneration which is market related, and may also be entitled to performance-based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Group and shareholders to do so.

The Group's reward policy reflects the benefits of aligning executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

(a) remuneration is reasonable and fair, taking into account the Group's obligations at law, the competitive market in which the Group operates and the relative size and scale of the Group's business;
(b) individual reward should be linked to clearly specified performance targets which should be aligned to the Group's short term and long term performance objectives; and
(c) executives should be rewarded for both financial and non-financial performance.

Director's Report

Remuneration report (audited) (cont'd)

The total remuneration of executive directors (including the Chief Executive Officer) and other senior managers may consist of the following:

(a) salary - executive directors and senior managers may receive a fixed sum payable monthly in cash;
(b) bonus - executive directors and nominated senior managers are eligible to participate in a profit participation plan if deemed appropriate;
(c) long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and
(d) other benefits - executive directors and senior managers are eligible to participate in superannuation schemes.

Non-executive directors' remuneration
Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for non-executive directors is currently $500,000.

The total remuneration of non-executive directors may consist of the following:
(a) fixed cash fees, the level of which reflect the time commitment and responsibilities of the role of a non-executive director;
(b) superannuation contributions in line with the relevant statutory requirements;
(c) non-cash benefits in lieu of fees such as equity or salary sacrifice into superannuation; and
(d) equity-based remuneration where the Committee and Board deem that the issue of securities will align the interests of the Group's non-executive directors with those of other security holders. It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration with performance hurdles attached as it may lead to bias in decision making and compromise objectivity. However, whilst the Group remains small and the full Board, including the non-executive directors, are included in the day-to-day operations of the Group more than what may be the case with larger companies, the non-executive directors are entitled to participate in equity based remuneration schemes.

Non-executive directors of the Group are not entitled to any retirement benefits other than superannuation.

Group performance and link to remuneration
There is no link between remuneration and group performance. At the discretion of the Board bonuses and other compensation may be provided.

Use of remuneration consultant
The Group did not use a remuneration consultant for the financial year ended 31 December 2016.

Voting and comments made at last Annual General Meeting (AGM)
The company held its AGM on 20 June 2016 where the remuneration report for the year ended 31 December 2016 was approved without comment.

Director's Report

Remuneration report (audited) (cont'd)

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group consisted of the following directors of Ding Sheng Xin Finance Co. Limited:

- Mr Guo Zhenhua
- Ms Tang Wenfeng
- Ms Chang Chen
- Mr James Zhong
- Ms Kathy Yuan
- Mr Winton Willesee

And the following persons

- Mr Zhang Hua – Chief Financial Officer
- Mr Deng Wei – General Manager of Business Development

2016

	Short-term benefits			
	Cash salary and fees	Cash bonus	Other short term employee benefits	Total
	$	$	$	$
Non-Executive Directors				
Ms Chang Chen	-	-	-	-
Mr James Zhong	15,000	-	-	15,000
Ms Kathy Yuan	20,000	-	-	20,000
Mr Winton Willesee	42,000	-	-	42,000
Executive Directors				
Mr Guo Zhenhua	106,402	-	-	106,402
Ms Tang Wenfeng	85,188	-	-	85,188
Other Key Management Personnel				
Mr Zhang Hua	22,690	-	-	22,690
Mr Deng Wei	24,511	-	-	24,511
	315,791	-	-	315,791

During the year ended 31 December 2016 no short-term non-monetary benefits, post-employment benefits, long-term benefits, termination benefits or share-based payments were made to key management personnel.

Director's Report

Remuneration report (audited) (cont'd)

2015

	Short-term benefits			
	Cash salary and fees	Cash bonus	Other short term employee benefits	Total
	$	$	$	$
Non-Executive Directors				
Ms Chang Chen *	-	-	-	-
Mr James Zhong *	-	-	-	-
Ms Kathy Yuan *	-	-	-	-
Mr Winton Willesee *	-	-	-	-
Executive Directors				
Mr Guo Zhenhua	38,075	-	-	38,075
Ms Tang Wenfeng	25,383	25,383	11,423	62,189
Other Key Management Personnel				
Mr Zhang Hua	23,289	12,057	-	35,346
Mr Deng Wei	25,637	9,942	-	35,579
	112,384	47,382	11,423	171,189

* - Non-Executive Directors were not remunerated until the company listed on the Australian Stock Exchange.

During the year ended 31 December 2015 no short-term non-monetary benefits, post-employment benefits, long-term benefits, termination benefits or share-based payments were made to key management personnel.

Cash salary and fees noted above are fixed amounts. Cash bonus and other short term employee benefits are discretionary payments not linked specifically to performance conditions.

Service Agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows;

Name	Mr Guo Zhenhua
Title	Managing Director and Chief Executive Officer
Agreement commenced	8 July 2015
Term of Agreement	Until termination of Agreement in accordance with the terms of the Agreement
Details	Total remuneration of $70,000 commencing from the company's listing on the Australian Stock Exchange to be reviewed annually on or about 8 July and RMB180,000 in his role as CEO of subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd.

Director's Report

Remuneration report (audited) (cont'd)

Name	Ms Tang Wengfeng
Title	Executive Director and Chief Operating Officer
Agreement commenced	8 July 2015
Term of Agreement	Until termination of Agreement in accordance with the terms of the Agreement
Details	Total remuneration of $50,000 commencing from the company's listing on the Australian Stock Exchange to be reviewed annually on or about 8 July and RMB120,000 in her role as COO of subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd.

Name	Mr Winton Willesee
Title	Non-executive Chairman
Agreement commenced	2 March 2016 and amended on 18 November 2016
Term of Agreement	Until termination of Agreement in accordance with the terms of the Agreement
Details	Total remuneration of $6,000 per month for duties for a period of up to four days per month commencing from the company's listing on the Australian Stock Exchange to be reviewed annually. An executive rate of $280 per hour for time required in excess of four days per month.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

There has been no share-based compensation in the years ended 31 December 2015 and 31 December 2016.

Additional information

The company provides the following information in relation to earnings of the Group and its impact on shareholders return for the financial periods in which it was listed

	2016
	$
Revenue	23.960m
Net Profit	15.314m
Share price at year end	0.395
Dividends Paid or Provided	1.487m

Director's Report

Remuneration report (audited) (cont'd)

Additional disclosures in relating to key management personnel

The number of shares in the company held during the financial year by each director and other member of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
Ms Chang Chen	-	-	-	-	-
Mr James Zhong	-	-	-	-	-
Ms Kathy Yuan	-	-	-	-	-
Mr Winton Willesee	-	-	-	-	-
Mr Guo Zhenhua	211,100,000	-	-	-	211,100,000
Ms Tang Wenfeng	112,250,000	-	-	-	112,250,000
Mr Zhang Hua	-	-	-	-	-
Mr Deng Wei	-	-	-	-	-
	323,350,000		-	-	323,350,000

No options were on issue on during the years ended 31 December 2015 and 31 December 2016.

During the financial year, payments for company secretarial services from Azalea Consulting (director-related entity of Mr Winton Willesee) of $42,000 were made. The current trade payable balance as at 31 December 2016 was $0. All transactions were made on normal commercial terms and conditions and at market rates.

The director fee of Chen Chang was given up upon resignation as at 21 November 2016.

This concludes the remuneration report which has been audited

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying officers or auditor

During or since the financial year, the Company has paid premiums insuring any director and officer of Ding Sheng Xin Finance Co. Limited. The Company has agreements in place to indemnify each director against any and all liabilities incurred by the Director as an officer of Ding Sheng Xin Finance Co. Limited to the extent as permitted by section 199A of the *Corporations Act 2001*.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Assurance Adelaide Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Assurance Adelaide Pty Ltd during or since the financial year.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Director's Report

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons;

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Assurance Adelaide

There are no officers of the company who are former partners of Assurance Adelaide.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Mr Guo Zhenhua
Managing Director

Mr Winton Willesee
Chairperson

Dated 31 March 2017

Auditor's Independence Declaration

To the Directors of Ding Sheng Xin Finance Co Limited

In relation to the independent auditor's review for the financial year ended 31 December 2016, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

ii) no contraventions of APES 110 Code of Ethics for Professional Accountants.

This declaration is in respect of Ding Sheng Xin Finance Co Limited and the entities it controlled during the period.

Assurance Adelaide Pty Ltd
Authorised Audit Company (Registered No.: 341893)

Jim Gouskos
Director

Dated 31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016	2015
		$'000	**$'000**
Revenue	2	23,960	19,907
Other income	3	1,519	2,360
Operating expenses	4	(1,659)	(2,748)
Administration expenses	5	(5,623)	(6,456)
Impairment expense	33	(200)	
Finance costs	6	65	(40)
Profit before income tax		18,062	13,023
Income tax expense	7	(2,721)	(2,409)
Profit for the year attributable to Owners		**15,341**	**10,614**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Foreign currency translation differences		(9,479)	9,829
Other comprehensive income for the year, net of tax		(9,479)	9,829
Total comprehensive income for the year		**5,862**	**20,443**
		cents	**cents**
Earnings per share for profit attributable to the owners of Ding Sheng Xin Finance Co. Limited			
Basic earnings per share	32	3.0	2.1
Diluted earnings per share	32	3.0	2.1

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	8	92,972	90,109
Trade and other receivables	9	55,286	17,523
Other assets	10	187	74
Pledged bank deposits	11	29,199	52,005
Total current assets		177,644	159,711
Non-current assets			
Trade and other receivables	9	1,355	2,876
Pledged bank deposits	11	7,346	7,536
Property, plant and equipment	12	562	1,124
Other assets	10	-	204
Intangible assets	13	16	20
Total non-current assets		9,279	11,760
Total assets		186,923	171,471
Current liabilities			
Liabilities from guarantees	14	3,538	6,380
Liabilities from insurance contracts	15	3,932	2,272
Other current liabilities	16	5,520	3,905
Current tax liabilities	17	539	558
Total current liabilities		13,529	13,115
Non-current liabilities			
Liabilities from guarantees	14	833	2,119
Liabilities from insurance contracts	15	139	282
Other non-current liabilities	16	2,366	527
Total non-current liabilities		3,338	2,928
Total liabilities		16,867	16,043
Net assets		**170,056**	**155,428**
Equity			
Issued capital	18	93,803	83,550
Reserves	20	24,316	32,930
Retained earnings		51,937	38,948
Total equity		**170,056**	**155,428**

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Issued Capital $'000	Retained Earnings $'000	Statutory Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance at 1 January 2015	**82,077**	**28,919**	**1,206**	**21,310**	**133,512**
Total comprehensive income for the year					
Profit for the year	-	10,614	-	-	10,614
Other comprehensive income					
Foreign currency translation differences	-	-	-	9,829	9,829
Total comprehensive income for the year	-	10,614	-	9,829	20,443
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	1,473	-	-	-	1,473
	1,473	-	-	-	1,473
Reserve Transfers					
Transfer to statutory reserve	-	(585)	585	-	-
Balance at 31 December 2015	**83,550**	**38,948**	**1,791**	**31,139**	**155,428**
Balance at 1 January 2016	**83,550**	**38,948**	**1,791**	**31,139**	**155,428**
Total comprehensive income for the year					
Profit for the year	-	15,341	-	-	15,341
Other comprehensive income					
Foreign currency translation differences	-	-	-	(9,479)	(9,479)
Total comprehensive income for the year	-	15,341	-	(9,479)	5,862
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	10,253	-	-	-	10,253
Dividends Paid or Provided		(1,487)			(1,487)
	10,253	(1,487)	-	-	8,766
Reserve Transfers					
Transfer to statutory reserve	-	(865)	865	-	-
Balance at 31 December 2016	**93,803**	**51,937**	**2,656**	**21,660**	**170,056**

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		45,752	56,336
Transfer from / (to) pledged bank deposits		19,888	25,195
Payments to guarantee holders, suppliers and employees		(25,403)	(44,093)
Interest received		714	829
Finance costs		65	(40)
Income tax paid		(2,730)	(1,830)
Net cash provided by (used in) operating activities	**30**	**38,286**	**36,397**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28)	(243)
Purchase of investment		(200)	-
Proceed from sale of non-current assets		10	58
Net cash provided by (used in) investing activities		**(218)**	**(185)**
Cash flows from financing activities			
Cash receipts(Advanced) From(to) non related parties		(39,573)	(3,313)
Cash receipts(Advanced) From(to) related parties		1,057	412
Additional share capital issued		10,268	1,473
Net cash provided by (used in) financing activities		**(28,248)**	**(1,428)**
Net change in cash and cash equivalents held		9,820	34,784
Cash and cash equivalents at beginning of financial year		90,109	51,840
Exchange rate adjustments to cash at beginning of period		(6,957)	3,485
Cash and cash equivalents at end of financial year	**8**	**92,972**	**90,109**

Notes to Financial Statements

1 Statement of significant accounting policies

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements cover Ding Sheng Xin Finance Co. Limited as a Group 'the Group') consisting of Ding Sheng Xin Finance Co. Limited ('the Company') and the entities in controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Ding Sheng Xin Finance Co. Limited's presentation currency.

Ding Sheng Xin Finance Co. Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Group's operations and its principal activities are included in the directors' report which is not part of the financial statements.

The financial statements were authorised for issues, in accordance with a resolution of directors, on 31 March 2017. The directors have the power to amend and reissue the financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The financial statements have been prepared on a going concern basis.

Significant accounting policies

a. Principles of consolidation

The Group financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 31 December 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Statement of significant accounting policies (cont'd)

a. Principles of consolidation (cont'd)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b. Business Combination

Pursuant to a share sale agreement dated 8 July 2015, the Company issued 499,999,900 shares to the then existing shareholders of China Ding Sheng Xin Holdings Limited (HK DSX) as consideration for 100% of the share capital of HK DSX. This transaction is referred to as a common control acquisition transaction.

Guizhou Ding Sheng Xin Long Asset Management Co., Ltd (WFOE DSX) is a wholly owned subsidiary of HK DSX. Pursuant to a share sale agreement dated 10 July 2015, WFOE DSX acquired 100% of the registered capital contribution in Ding Sheng Xin Financing Guarantee Co., Ltd (PRC DSX). When combined with transaction above, WFOE DSX and HK DSX became intermediate holding companies for the Group.

Through these transactions, effective control of PRC DSX passed to the shareholders of the Company. This transaction is referred to in AASB 3 Business Combinations as a common control acquisition, where following the corporate restructure of the Group, the company took control of PRC DSX with no change in underlying control.

The Group has elected to account for these transactions using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the common control transaction. The treatment also requires the presentation of current year performance as if the Group had been in place for the entire year as well as full year comparative information of all entities. The comparative information for the financial statements for the year ended 31 December 2015 therefore reflects the performance as if the group had been in place for the entire comparative period.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

1. Statement of significant accounting policies (cont'd)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur

d. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method at the following rates:

Class of Fixed Asset	Depreciation Rate
Office equipment	20~33%
Furniture's & Fittings	20~33%
Motor vehicles	20~25%

e. Intangible assets – Accounting Software

Accounting Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of Accounting Software over its estimated useful lives.

f. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

2. Statement of significant accounting policies (cont'd)

g. Guarantees Issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a guarantee, the 'premium' (being cash and/or receivable) and the payable (the financial guarantee contract liability) are both recognised at fair value, which normally means, unless there is evidence to suggest the fair value of the financial guarantee contract liability exceeds the fair value of the 'premium' received, the liability is measured at the fair value of the premium. Subsequent to initial recognition, financial guarantee contracts are accounted for as follows:

- any receivable is measured at amortised cost, adjusted for any impairment losses; and
- the financial guarantee contract liability is subsequently measured at the higher of:
  - the best estimate of the expenditure required to settle the obligation ; and
  - the amount initially recognised less, when appropriate, cumulative amortisation.

The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued.

Deferred income is amortised and recognised in profit or loss as the entity is released from risk. Where the amount guaranteed is repaid on a regular basis under a debt instrument by a specified debtor, income is recognised using the rule of 78. Where the amount guaranteed is repaid on maturity under a debt instrument by a specified debtor, income is recognised on a straight line basis.

Basis of provision against the outstanding guarantees issued.

In addition, provisions are recognised in accordance with Note 1(n) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

The Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occur after initial recognition (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

The Group assesses (either individually or collectively) the liabilities arise from its outstanding guarantees issued in accordance with AASB 137 and AASB 139. If it is determined that the Group has a legal or constructive obligation arising as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made, then a "provision of guarantee losses" is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

1. Statement of significant accounting policies (cont'd)

g. Guarantees Issued (cont'd)

Basis of provision against the outstanding guarantees issued. (cont'd)

The historical default rate, loss rate and economy cycle are considered by the Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by the Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, the Group adopts a methodology to collectively assess whether there is objective evidence that losses on Group of financial guarantees are already incurred.

For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and the Group use a methodology which utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the statement of financial position item "Liabilities from guarantees" and the losses are included in "Impairment and provision (charged)/written back" in the statement of profit or loss. The provision for guarantee losses will vary from year to year depending on the assessed level of exposure on the outstanding guarantees issued.

The weighted average length of financial guarantee contract is 38.11 months (2015: 35.64 months).

h. Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. 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 risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. Employee Benefits

Salary and wages are paid on a monthly basis and recognised as an expense when incurred and no leave entitlements accrue at the end of the reporting period

1. Statement of significant accounting policies (cont'd)

j. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

k. Pledged Bank Deposits

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowing from banks.

l. Insurance Contracts

Contacts under which an entity accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policy holder or other beneficiary are classed as insurance contracts. Insurance risk is risk other than finance risk.

m. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Premium revenue

With respect to insurance contracts, premiums are brought to account as income from the date of attachment of risk over periods up to three years based on assessment of the pattern and period of risk. The earned portion of premiums is recognised as revenue. The balance of premium received is recorded as unearned premium reserve.

(ii) Agency services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.
When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that it is probable be recoverable.

(iii) Interest income

Interest income arising from deferred and instalment-based premiums is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

1. Statement of significant accounting policies (cont'd)

n. Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(o))

Subrogation fee receivables represents default loan amounts repaid by the Group on behalf of customers. Upon default by a customer in respect of repayment of financing arrangements, according to the relevant guarantee agreement, the outstanding balance shall be firstly settles by the Group on behalf of customers. The Group will then request repayment from customers or take possession of any assets pledged as security for the guarantee to recover the outstanding balance.

o. Impairment of Receivables

Trade and other receivables that are measured at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

Impairments and provision for impairment represents estimates of losses associated with guarantee contracts written and subrogation fees outstanding after taking into account any expected recovery of any underlying security pledged in relation to the guarantee contracts.

Basis of provision of impairment for payment on behalf of customers

When customers default on settling the loans advanced from banks, the Group is required to honour the guarantee contracts and required to settle the loans on behalf of customer. Accordingly, the Group records the "Payments on behalf of customer" as "subrogation receivables".

The Group performs individual credit assessments for those recorded subrogation receivables. If there is objective evidence of impairment of subrogation receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged deposits received.

1. Statement of significant accounting policies (cont'd)

o. Impairment of Receivables (cont'd)

Basis of provision of impairment for payment on behalf of customers (cont'd)

For those subrogation receivables that have been individually assessed, but for which there is no objective evidence of losses, the Group groups these receivables on the basis of similar risk characteristics and collectively assesses for losses. The collective assessment utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "subrogation receivable" on the statement of financial position and the losses are included in "Impairment and provision (charged)/written back" in profit or loss.

p. Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. If current estimates of the present value of the expected cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceed the unearned premium liability less related deferred reinsurance and deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The test is performed at a portfolio level of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency is recognised in the statement of profit or loss and other comprehensive income, with a corresponding impact in the statement of financial position as an unexpired risk liability.

q. Borrowing Costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Ding Sheng Xin Finance Co. Limited
Notes to Financial Statements
For the year ended 31 December 2016

1. Statement of significant accounting policies (cont'd)

s. Critical accounting estimates and judgments

Key sources of estimation uncertainty are as follows:

(a) Provision of guarantee losses

The Group makes reasonable estimate on expense required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the estimate of the provision would decrease or increase profit in future years.

The discount rate used in estimating the present value of the expenditure expected to settle the obligation was determined taking into account the risk that future contacted amounts will not be received and that customers will default on the loan requiring the entity to take responsibility for the loan. The discount rate used for the year ended 31 December 2016 was 17.5% (2015: 17.5%).

(b) Estimation of premium revenue / unearned revenue

Premium is earned over periods of up to five years. The principal underlying earning recognition is to derive a premium earning scale that recognises the premium in accordance with incidence of claims risk

The review of the premium earning scale is based on an analysis of the historical pattern of claims incurred and the pattern of policy cancellations. The estimate for unearned premiums is established on the basis of this earning scale.

(c) Estimation of outstanding claims liabilities

Provision is made for the estimated claim cost of reported delinquencies at the reporting date, including the cost of delinquencies incurred but not yet reported to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of expected third party recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will provide to be different from the original liability established.

A risk margin is added to the central estimate as an additional allowance for uncertainty in the ultimate cost of claims over and above the central estimate. The overall margin adopted by the Group is determined after considering the uncertainty in the portfolio, industry trends, the Group's risk appetite and the margin corresponding with the appetite.

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until sometime after the events giving rise to the claims have happened.

In calculating the estimated costs of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which might create distortion in the underlying statistics or cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims.

Provisions are calculated gross of any recoveries.

1. Statement of significant accounting policies (cont'd)

t. Accounting standards not yet effective

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Group has not applied the following new and revised AASBs that have been issued but are not yet effective which may have a material impact on the financial statements in future:

AASB 9 Financial Instruments – Annual reporting periods beginning on or after 1 January 2018

Classification and measurement

AASB 9 amendments the classification and measurement of financial assets:

- Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).
- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.
- All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.

The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9:

- Classification and measurement of financial liabilities, and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Impairment

The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model.

A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.

A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.

For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.

The entity has both long term and short term trade receivables. The Group is currently reviewing the impact of this standard.

The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.

1. Statement of significant accounting policies (cont'd)

t. Accounting standards not yet effective (cont'd)

AASB 15 Revenue from Contracts with Customers – Annual reporting periods beginning on or after 1 January 2018

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 18 *Revenue*.

Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

AASB 16 Leases – Annual reporting periods beginning on or after 1 January 2019

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases*. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

The Group is currently reviewing the impact of this standard.

u. Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

v. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

1. Statement of significant accounting policies (cont'd)

w. Foreign currency translation

The financial statements are presented in Australian dollars, which is the Group's presentation currency. The functional currency is the Chinese Yuan (RMB).

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

x. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

y. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

1. Statement of significant accounting policies (cont'd)

z. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The Group has elected to account for the business combination using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the common control transaction. The treatment also requires the presentation of current year performance as if the Group had been in place for the entire year as well as full year comparative information of all entities.

As a result, earnings per share for the year ended 31 December 2015 has been calculated using the capital of the parent entity and full year net profit of the Group.

aa. Goods and Services Tax ('GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

bb. Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Statement of significant accounting policies (cont'd)

cc. New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

2 Revenue

	2016 $'000	2015 $'000
Operating activities		
Financial guarantee fee income	8,590	10,826
Premium fee income - Other guarantee	14,730	8,239
Agency fee income	640	842
Total revenue	**23,960**	**19,907**

3 Other Income

	2016 $'000	2015 $'000
Other Income		
Interest income	714	829
Interest income – guarantee fee receivable	512	1,054
Interest income – premium fee receivable	280	401
Other sundry income	13	76
Total other income	**1,519**	**2,360**

4 Operating Expenses

	2016 $'000	2015 $'000
Operating expenses		
Salary and welfare expenses	1,107	1,693
Staff travelling and commuting expenses	185	225
Impairment provision charged/(written back) for provision for guarantee losses (refer note 14(a))	(121)	(153)
Unexpired risk liability expenses (refer note 1(p))	257	(20)
Impairment provision charged/(written back) for subrogation receivables (refer note 9(a))	7	99
Impairment provision charged/(written back) for provision for guarantee fee receivable (refer note 9(a))	-	564
Advertisements	6	78
Other expenses	218	262
Claim expense (refer note 26)	-	-
Total operating expenses	**1,659**	**2,748**

5 Administration Expenses

	2016 $'000	2015 $'000
Administration expenses		
Salary and welfare expenses	1,923	2,160
Rent	1,056	1,196
Depreciation	508	647
Staff travelling and commuting expenses	509	286
Office expenses	353	433
Business hospitality expenses	264	217
Professional consulting expenses	444	167
ASX initial public offering costs	55	983
Other expenses	511	367
Total administration expenses	**5,623**	**6,456**

6 Finance Costs

	2016 $'000	2015 $'000
Finance costs		
Finance Expense – Bank Charge / (Refund)	(65)	40
Total finance costs	**(65)**	**40**

7 Income Tax Expense

	2016 $'000	2015 $'000
The components of tax expense comprise:		
Current tax	2,721	2,407
Under-provision in respect of prior years	-	2
Total Income Tax Expense	**2,721**	**2,409**

The Australian assessable earning will be taxed at 30%. The Chinese assessable earnings will be taxed at 15%.

	2016	2015
Reconciliation of tax expense		
Profit before income tax	18,062	13,023
Prima facie tax payable on profit before income tax at 30% (2015: 30%)	5,419	3,906
Tax effect of:		
- Foreign losses not recognised	93	75
- Australian losses not recognised	299	184
- Under-provision for income tax in prior year	-	2
- Effect of permanent difference for deductible provision	(549)	173
- Net Effect of other non-deductible expense and non- assessable income	60	119
- Differences in taxation rates in foreign subsidiaries	(2,601)	(2,050)
Total Income Tax Expense	**2,721**	**2,409**

8 Cash and Cash Equivalents

	2016 $'000	2015 $'000
Current		
Cash on hand	56	49
Cash at bank	92,916	90,060
Total current cash and cash equivalent	**92,972**	**90,109**

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9 Trade and Other Receivables

	Note	2016 $'000	2015 $'000
Current			
Guarantee Fee Receivable	9(i)	2,997	1,565
Subrogation Receivables	9(ii)	10,361	11,143
Less: allowance for doubtful debts	9(a)	(1,001)	(1,055)
		12,357	11,653
Other receivables	9(iv)	39,049	153
Guarantee Fee Contract Receivable	9(iii)	2,106	3,544
Premium Contract Receivable	9(iii)	1,775	2,173
Total current trade and other receivables		**55,286**	**17,523**

	Note	2016 $'000	2015 $'000
Non-current			
Other receivables	9(iv)	201	266
Guarantee Fee Contract Receivable	9(iii)	1,154	2,610
Total non-current trade and other receivables		**1,355**	**2,876**

(i) Guarantee fee receivables and represent fee income receivable from customers

(ii) Subrogation receivables represent payment made by the Group to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because the customers fail to make payment when due and is the acquired right to the impaired loan that the Group has assumed under the terms and conditions of the financial guarantee contracts it writes. Subrogation receivables are interest bearing and the Group holds certain collaterals over certain customers.

(iii) Guarantee fee contract receivables and premium contract receivable represent the present value of future cash flows in relation to existing contracts

(iv) Other receivables mainly represent $38,914K Earnest Money paid and is comprised of $26,982K paid to a company during October 2016 and $5,966K paid to two other companies during November and December 2016 respectively totalling $11,932K. Earnest Money is provided as a basis of establishing a potential purchasers bona fides prior to the vendors (who represent three separate Chinese companies in the same industry) providing access to documents and records for due diligence purposes. No agreement has been reached as at the date of this financial report on whether to pursue any of the acquisitions nor the terms or consideration that may be payable should the Group elect to pursue any of the acquisitions. Should the Group elect not to pursue a transaction with these companies after receipt of the respective due diligence reports which are anticipated to be received during April 2017, the transferred amounts will be returned to the Group under the respective Earnest Money contractual arrangements with these companies.

a) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly (see Note 1(n)).

	Note	2016 $'000	2015 $'000
Balance at 1 January 2015		**1,055**	**368**
Impairment (write back) incurred for the year	4	7	663
Impact of provision in foreign currency		(61)	24
Write-off incurred for the year		-	-
Balance at 31 December 2015		**1,001**	**1,055**

9. Trade and Other Receivables (cont'd)

b) Trade receivables that are not impaired

The ageing analysis of trade debtors and payments on behalf of customers that are neither individually nor collectively considered to be impaired are as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired	9,986	12,931
Less than 3 months past due	833	680
More than 3 months but less than 12 months past due	4,932	6,351
More than 12 months	1,642	18
	17,393	19,980

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

10 Other current assets

	2016 $'000	2015 $'000
Current		
Prepayment	187	74
Total other current assets	**187**	**74**
Non-current		
Prepayment	-	204
Total other non-current assets	**-**	**204**

11 Pledged bank deposits

	2016 $'000	2015 $'000
Current	29,199	52,005
Non-current	7,346	7,536
Total pledged bank deposits	**36,545**	**59,541**

12 Property, Plant and Equipment

	2016 $'000	2015 $'000
Furniture and Fittings		
At cost	391	412
Accumulated depreciation	(259)	(183)
Total Furniture and Fittings	132	229
Office Equipment		
At cost	691	747
Accumulated depreciation	(579)	(524)
Total Office Equipment	112	223
Motor Vehicles		
At cost	1,721	1,824
Accumulated depreciation	(1,403)	(1,152)
Total Motor Vehicles	318	672
Total property, plant and equipment	**562**	**1,124**

a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture and Fittings $'000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Balance at 1 January 2016	**229**	**223**	**672**	**1,124**
Additions	21	7	-	28
Disposals	(12)	(10)	-	(22)
Depreciation expense	(93)	(93)	(322)	(508)
Exchange differences	(13)	(15)	(32)	(60)
Balance at 31 December 2016	**132**	**112**	**318**	**562**

13 Intangible Assets

	2016 $'000	2015 $'000
Computer software	26	27
Accumulated amortisation	(10)	(7)
Total Intangible Assets	**16**	**20**

14 Liabilities from guarantees

	2016 $'000	2015 $'000
Current liabilities		
Deferred income – Financial guarantee contract	3,308	6,010
Provision for guarantee losses	230	370
Total current liabilities from guarantees	**3,538**	**6,380**
Non-current liabilities		
Deferred income – Financial guarantee contract	833	2,119
Total Non-current liabilities from guarantees	**833**	**2,119**

Provision for guarantee losses and unexpired risk liability represents the estimated amount the company may be required to repay the guaranteed debt of customers.

a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of provision between the beginning and the end of the current financial year:

	Note	$'000
Balance at 1 January 2016		**370**
Charge/(written back) for the year	4	(121)
Impact of provision in foreign currency		(19)
Balance at 31 December 2016		**230**

The provision for guarantee losses will vary from year to year depending on the assessed level of exposure on the outstanding guarantees issued.

15 Liabilities from insurance contracts

	2016 $'000	2015 $'000
Current liabilities		
Deferred income – Other guarantee	3,548	2,133
Unexpired risk liability	384	139
Total current liabilities from insurance contracts	**3,932**	**2,272**
Non-current liabilities		
Deferred income – Other guarantee	139	282
Total Non-current liabilities from insurance contracts	**139**	**282**

16 Other Liabilities

	2016 $'000	2015 $'000
Current		
Wages and Salaries Payables	187	607
Other payables	2,948	2,886
Dividend payable	1,487	-
Related party payable	898	412
Total other current liabilities	**5,520**	**3,905**
Non-current		
Other payables	2,366	527
Total other non-current liabilities	**2,366**	**527**

17 Taxation

	2016 $'000	2015 $'000
Current		
Current tax liability	539	558
Total tax liability	**539**	**558**

18 Issued Capital

	2016 $'000	2015 $'000
Share capital	93,803	83,550
Total Issued Capital	93,803	83,550

Movement in ordinary share capital

	Date	No. of Shares
Issue of shares on incorporation	9 January 2015	100
Issue of shares	8 July 2015	499,999,900
Balance as at 31 December 2015		500,000,000
Issue of shares	3 March 2016	17,113,343
Balance as at 31 December 2016		517,113,343

Refer to note 1(b) for further details on the share capital of the company and Group.

Ordinary Shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Share buy-back
There is no current on-market share buy-back.

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19 Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure, monitors the returns on capital, and makes adjustments to the capital structure in light of changes in economic conditions.

During 2016, there were no changes in the Group's approach to capital management from 2015.

Pursuant to the Interim Measures and the Implementing Rules in the PRC, the outstanding financial guarantee amount provided by a financial guarantee company for a single customer shall not exceed 10% of its net assets and the aggregate outstanding financial guarantee amount provided by such company shall not exceed 10 times of its net assets.

Particularly, the Company monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to net assets and paid-in capital of the entity, which is the principal operation entity of the Company, so as to keep the capital risk within an acceptable limit. The decision to manage the net assets and registered capital of the entity to meet the needs of developing guarantee business rests with the directors.

As at 31 December 2016, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of the entity are as follows:

		2016	2015
	Note	**$'000**	**$'000**
Outstanding guarantees	24(a)	695,533	615,123
- Finance guarantee		308,317	455,857
- Performance guarantee		384,461	139,411
- Litigation guarantee		2,755	19,855
Net assets of the entity		170,056	155,428
Registered/paid-in capital of the entity		93,803	83,550
Multiples of - Net assets		4.09	3.96
- Paid-in capital		7.41	7.36

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20 Statutory Reserves

Statutory Reserve
Pursuant to the current People's Republic of China Company Law, the Group is required to transfer 5% to 10% of its profit after taxation in its PRC-based subsidiary to a statutory reserve until the surplus reserve balance reaches a minimum of 50% of the registered capital.

Foreign Currency Translation Reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operation to Australian dollars.

21 Commitments

(a) Capital Commitments
The Group does not have any capital commitments as at 31 December 2016.

(b) Operating Commitments
Non-cancellable operating leases contracted for but not recognised in the financial statements are as follows:

	2016 $'000	2015 $'000
Payable — minimum lease payments		
not later than 12 months	930	1,230
between 12 months and five years	1,559	2,003
greater than five years	338	-
	2,827	3,233

22 Events After the Balance Sheet Date

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

23 Related Party Transactions

There was a loan from a related party, Mr Zhenhua Guo of $898K (2015: $412K). The amount is unsecured and interest free.

During the financial year, payments were made by Zhenhua Guo to cover the miscellaneous running expenses of the company. All transactions were made on no worse than normal commercial terms and conditions and at market rates.

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24 Financial Instrument Risk Management

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below. The Group manages financial guarantee contracts in the same manner as its insurance contracts which cover performance and litigation guarantees.

(a) Credit risk

Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default on their guaranteed loan, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees issued by the Group. The Group has entered into

- Financial guarantee contracts in which it has guaranteed the banks the repayment of loans entered into by customers of the Group;
- Performance guarantee contracts in which it has guaranteed to a third party the performance of an obligation of a customers of the Group;
- Litigation guarantee contracts in which it has guaranteed to a third party the litigation costs of a Customer of the Group.

The Group has the obligation to compensate banks or third parties for the losses they would suffer if customers call on the guarantee. The Group's risk management committee under the leadership of the executive director is tasked with organising and coordinating the Group's risk management and internal control.

The committee is comprised of the Group's internal personnel, including executive director, COO and head of each department. The committee is responsible for

(i) Design and implementation of overall risk management internal Control policies and procedures and establishing appropriate risk appetite;

(ii) Design and execution of due diligence procedures;

(iii) Review the creditworthiness of customers before submitting to the executive director for final approval.

The Group has taken measures to identify credit risks arising from guarantees issued. The Group manages credit risk at every stage along the guarantee approval process, including pre-transaction, in-transaction and post- transaction monitoring processes. The Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process. Guarantees issuance is subject to approval of the Group's risk management committee and the executive Director.

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible for a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and others relevant documents.

24. Financial Instrument Risk Management (cont'd)

(a) Credit risk (cont'd)

The Group has established guidelines on the acceptability of various classes of collateral and determined the corresponding valuation parameters. The guidelines and collateral valuation parameters are subject to regular reviews to ensure their effectiveness over credit risk management.

The extent of collateral coverage over the Group's outstanding guarantees depends on the type of customers and the product offered. Types of collateral mainly include land use rights, machineries and equipment, properties and vehicles.

As at 31 December 2016, the carrying value of outstanding guarantees of $695,533K (2015: $615,123K) is fully or partially covered by collateral.

At 31 December the total maximum guarantees issued are as follows:

	2016 $'000	2015 $'000
Financial guarantee	308,317	455,857
Performance guarantee	384,461	139,411
Litigation guarantee	2,755	19,855
Total	**695,533**	**615,123**

The total maximum guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

Pricing of guarantee contracts (financial, performance and litigation) is assessed based on the risk assessment procedures and collateral available for the specific contract as well as an overall assessment of the Group's current exposure in that geographic and industrial sector. This enables a pricing percentage based on guarantee issued to be put forward to the risk management committee as part of the issuance of the guarantee.

(i) Risk concentration

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in Guizhou province, there exists a significant level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

24. Financial Instrument Risk Management (cont'd)

(a) Credit risk (cont'd)

(i) Risk concentration (cont'd)

The Group has significant level of concentration of exposure to manufacturing and processing industry in respect of total maximum guarantees issued. The credit risk in respect of these guarantees and insurance contracts as at 31 December is as follows:

Financial Guarantee contracts		**The Group**			
		2016		**2015**	
		$'000	**%**	**$'000**	**%**
Manufacturing and processing		76,174	25	101,239	22
Wholesales and retailing		93,515	30	166,129	36
Construction and installation		78,022	25	117,708	26
Financial services		7,020	2	19,961	4
Tourism and service sector		31,850	10	27,296	6
Real Estate		1,979	1	4,448	1
Transportation		1,551	1	3,162	1
Others		18,206	6	15,914	4
Total		**308,317**	**100**	**455,857**	**100**
Insurance contracts		**The Group**			
		2016		**2015**	
		$'000	**%**	**$'000**	**%**
Manufacturing and processing		90,710	23	23,203	15
Wholesales and retailing		1,056	-	7,542	5
Construction and installation		119,318	31	9,924	6
Financial services		100,258	26	114,128	72
Tourism and service sector		-	-	2,108	1
Real Estate		75,568	20	2,361	1
Others		306	-	-	-
Total		**387,216**	**100**	**159,266**	**100**

24. Financial Instrument Risk Management (cont'd)

(a) Credit risk (cont'd)

Concentrations of insurance risk

The table below demonstrates the concentration of insurance risk by gross written premium:

		2016		2015	
		$'000	%	$'000	%
Manufacturing and processing		2,641	23	728	10
Wholesales and retailing		18	-	135	2
Construction and installation		3,580	32	423	6
Financial services		2,815	25	2,261	31
Tourism and service sector		-	-	503	7
Real Estate		2,267	20	3,224	43
Others		9	-	59	1
Total		**11,330**	**100**	**7,333**	**100**

The Group's other credit risk is attributable to bank deposits and security deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's on-balance sheet and off-balance sheet businesses. The Group's market risk mainly arises from currency risk and interest rate risk

(i) Currency risk

The Group's businesses are principally conducted in RMB, while most of the Group's monetary assets and liabilities are denominated in RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Group entity to which they relate. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the year.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its equity shareholders.

24. Financial Instrument Risk Management (cont'd)

(ii) Interest risk

The Group is principally engaged in providing guarantee services. Its interest rate risk arises primarily from deposits with banks. Deposits with banks are mainly at floating rates stipulated by the People's Bank of China. The Group's interest rate profile is monitored by management and the directors consider that the Group's exposure to market risk for changes in interest rate is not significant during the years.

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities are reflected in the classification of financial liabilities as current or non-current in notes 14 and 15.

(d) Insurance contracts and associated risks

Objectives, policies and processes

The Group's performance and litigation guarantee contracts fall within the description of insurance contracts under AASB 1023 *General Insurance Contracts*. The objectives, policies and procedures for managing risks arising from these contracts and the methods used to manage those risks are described in Note 24(a)

Claims information

At 31 December 2016 no claims had been made by holders of performance or litigation guarantees as a result a table has not been presented detailing actual claims with previous estimates (i.e. claims development table) and this was also the case in the prior financial year.

Sensitivity and concentration of insurance risk

At 31 December 2016 no claims had been made by holders of performance or litigation guarantees. Further to this, the Group has reviewed the position of the underlying obligations of these contracts and does not expect a material claim to arise from them. Profit or loss would be impacted is this assessment was to change. The maximum extend of this change would be to the extent of the guarantees which are summarised at Note 24(a)(i).

Performance and litigation guarantee contracts are similar in nature to financial guarantee contracts and the Group therefore considers credit, market and liquidity risk across all contracts. The distinction in the contracts solely relates to the classification under Australian Accounting Standards with financial guarantee contracts able to be accounted for outside of the requirements of AASB 1023 *General Insurance Contracts* . As a result Note 24 (a) – (c) apply equally to all contracts. Where material differences occur in risk, information is presented separately. There are no embedded derivatives in any contract.

24. Financial Instrument Risk Management (cont'd)

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015. The fair value measurements of financial instruments carried at cost or amortised cost are using Level 2 inputs as defined in AASB 13. The description of valuation techniques and inputs for the fair value measurements are set out in note 1(g).

(f) Estimation of fair value

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) Guarantees issued

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) Interest rates used for determining fair value

The market interest rates adopted for determining the fair value of guarantee fee receivables is 17.5% (2015: 17.5%).

25 Key Management Personnel Compensation

The totals of remuneration paid to KMP of the Company during the year are as follows

	2016 $	2015 $
Short-term employee benefits	315,791	171,189
Total KMP compensation	**315,791**	**171,189**

26 General Insurance Disclosures

(a) Underwriting result

	Note	2016 $'000	2015 $'000
Direct premium revenue	2	14,730	8,239
Inwards reinsurance premium revenue		-	-
Recoveries revenue		-	-
		14,730	8,239
Claims expense	2	-	-
Outwards reinsurance premium expense		-	-
Underwriting expense		-	-
		14,730	8,239
Underwriting result		**14,730**	**8,239**

(b) Net claims incurred

Amount relating to risks borne in current period	-	-
Amounts relating to reassessment of risks borne in all previous accounting periods	-	-
	-	**-**

(c) Outstanding claim liability

No claims have been lodged on any insurance contracts issued by the company, nor has there been an indication of a claim event. The Group commenced trading in these contracts since the 2015 financial year

27 Remuneration of auditors

	Consolidated Group 2016 AUD	2015 AUD
Remuneration of the auditor for:		
- Reviewing the financial statements	55,000	45,000
- Auditing the financial statements	90,000	75,000
Total Auditors' Remuneration	**145,000**	**120,000**
Non- audit services		
- Taxation report	-	5,000
- Investigating Accountant's report	-	60,000
Total Non-Audit Services	**-**	**65,000**

28 Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent 2016 $'000	2015 $'000
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	2,502	(610)
Total comprehensive income	2,502	(610)
Statement of financial position		
Total current assets	13,860	80
Total non-current assets	500	500
Total assets	14,360	580
Total current liabilities	3,201	690
Total non-current liabilities	-	-
Total liabilities	3,201	690
Issued capital	10,753	500
Retained earnings	406	(610)
Total equity	11,159	(110)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by the parent entity.

Contingent liabilities

The parent entity has no contingent liabilities.

Capital commitments – Property, Plant and Equipment

The parent entity has no capital commitments.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1 expect for the following;

- Investments in subsidiaries are accounted for at costs, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of impairment of the investment.

29 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
China Ding Sheng Xin Holdings Limited	Hong Kong	100.00%	100.00%
Guizhou Ding Sheng Xin Long Asset Management Co., Ltd	People's Republic of China	100.00%	100.00%
Ding Sheng Xin Financing Guarantee Co., Ltd	People's Republic of China	100.00%	100.00%
DSX Finance Australia	Australia	100.00%	-

30 Cash flow reconciliation

	2016 $'000	2015 $'000
Reconciliation of cash from operations with profit after income tax		
Profit after income tax	15,341	10,614
Non-cash flows in profit		
Depreciation	508	649
Amortisation	3	3
Gain on disposal of property, plant and equipment	-	34
Impairment	200	-
Changes in assets and liabilities		
(Increase) / Decrease in pledged bank deposits	19,888	25,195
(Increase) / Decrease in trade receivables	(428)	1,503
(Increase / Decrease in other receivables	3,578	3,703
(Increase) / Decrease in prepayments	77	(163)
Increase / (Decrease) in provisions	134	(173)
Increase / (Decrease) in unearned revenue	(2,165)	(5,884)
Increase / (Decrease) in salary payable	(389)	(35)
Increase / (Decrease) in income taxes payable	10	579
Increase / (Decrease) in other tax liabilities	(349)	244
Increase / (Decrease) in other payables	1,878	128
Total	**38,286**	**36,397**

31 Operating segments

The Group is organised in one operating segment being the issue of guarantees in China. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. As a result the statement of profit or loss and other comprehensive income and the statement of financial position is reflective of this operating segment.

Major customers

During the year ended 31 December 2016 approximately 14.11% (2015 13.90%) of the Group's external revenue was derived from providing guarantees to one customer.

Ding Sheng Xin Finance Co. Limited
Notes to Financial Statements
For the year ended 31 December 2016

32 Earnings Per Share

	2016 $'000	2015 $'000
Earnings per share for profit		
Profit after income tax attributable to the owners of Ding Sheng Xin Finance Co. Limited	15,341	10,614
	2016 Number	**2015 number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	514,206,319	500,000,000

The company has no options or other arrangements that would dilute earnings per share.

33 Impairment

During July 2016 the Group invested $200,000 in FXPlus Pty Ltd. Subsequent to this investment the Group has put a hold on the development of its Australian operations as it reviews its business plan for these operations and as a consequence this investment has been fully impaired to $Nil as at 31 December 2016.

Director's Declaration

In the directors' opinion:

1. the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements;
2. the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
3. the attached financial statements and noted give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance the financial year ended on that date;
4. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Mr Guo Zhenhua
Managing Director

Mr Winton Willesee
Chairperson

Dated 31 March 2017

Corporate Governance Statement

This Corporate Governance Statement of Ding Sheng Xin Finance Co. and where relevant to the disclosure its controlled entities ('the Company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the Company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company as appropriate has not followed a recommendation and any related alternative governance practice adopted.

This statement relates to the Company's corporate governance practices during the financial year ended 31 December 2016 and the Company is pleased to report that its practices were largely consistent with the ASX Principles and Recommendations during that period.

The ASX Principles and Recommendations and the Company's response as to whether and how it follows those recommendations are set out below. The statement was approved by the Company's Board of Directors ('Board') on 31 March 2017.

	Recommendation	Compliance	Explanation
1.	**Lay a solid foundation for management and oversight**		
1.1	A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	Yes	The Company has adopted a *Board Charter*, which discloses the specific responsibilities of the Board, including detailing those matters which are reserved expressly for the Board and those which are delegated to management. A copy of the Company's *Board Charter* is available on the Company's website within the Corporate Governance Plan.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Yes	(a) The Company's guidelines for the appointment and selection of members of the Board are set out in the Company's *Nomination Committee Charter* which includes a requirement for the Company to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director. The Nomination Committee (the function of which is currently performed by the full Board) is responsible for the selection and appointment of members of the Board. During the period, all directors that

	Recommendation	Compliance	Explanation
			were in office upon the Company's successful IPO in March 2016 were put forward to shareholders for re-election. The Company confirms that it undertook appropriate checks on each director prior to the IPO. (b) All material information relevant to a decision on whether or not to re-elect each director was provided to security holders in the Notice of Meeting dated 18 May 2016 which was sent to all shareholders prior to the Annual General Meeting held on 20 June 2016, at which shareholders were required to vote on resolutions to re-elect each of the directors in office at the time.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Each Director and senior executive of the Company is party to a written agreement with the Company which sets out the terms and conditions of that Director's or senior executive's appointment
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: (i) the measurable objective for achieving	Yes	(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council, including: (i) The Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality; and (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is available within the Corporate Governance

	Recommendation	Compliance	Explanation
	gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.		Plan on the Company's website. (i) the Company has set a target of maintaining a gender balanced workforce of 50% men and 50% female. The Company is pleased to confirm that as at 31 December 2016. (ii) As at 31 December 2016, the proportions of men and women on the board, in senior executive positions and across the whole organisation were as follows: - 50% of the 4 person board were women. - As at 31 December 2016, 25% of senior executives were female. Senior executives are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of Company. - Across the whole organisation 57% of the positions were held by women as at 31 December 2016.
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	(a) The Remuneration Committee (the function of which is currently performed by the full Board) is responsible for evaluating the performance of senior executives on an annual basis in accordance with the Company's Performance Evaluation Procedures policy. The process for this is set out in the Company's Performance Evaluation Procedures policy which is contained in its Corporate Governance Plan which is available on the Company's website. (a) Given the short time since the Company's listing on the ASX the Board did not consider it necessary to undertake a performance evaluation of the Board, its committees or its individual directors. The Company does however, intend to undertake an annual performance evaluation in the coming financial

	Recommendation	Compliance	Explanation
			year.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	(a) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. (b) During the period, the Company undertook annual performance evaluations.
2.	**Structure the Board to add value**		
2.1	The board of a listed entity should: (a) have a nomination committee which: (i) has at least 3 members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that	Yes	(a) Due to the size and composition of the current Board the Company has elected not to establish a separate Nomination Committee. As a result, the duties that would ordinarily be assigned to the Nomination Committee under the Nomination Committee Charter are carried out by the full board. The *Nominations Committee Charter* is available on in the Corporate Governance Plan on the Company's website. (b) The Board devotes time on at least an annual basis to discuss Board composition, performance and succession matters.

	Recommendation	Compliance	Explanation
	the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.		
2.2	A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	The Board is comprised of directors with a broad range of financial and other skills, experience and knowledge relevant to overseeing the business of a financial services company. The Board has developed a Board skills matrix and will regularly review its composition against its skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction of the Company. A copy of the board skills matrix is available on the Company's website within its Corporate Governance Plan.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	(a) The current independent directors of the Company are Mr Willesee and Ms Kathy Yuan. (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the board in light of the interests disclosed by Directors. There are no interests, positions, associations or relationships that would cause the Board to consider independence compromised. (c) The length of service of each Director is provided in the Directors Report.

	Recommendation	Compliance	Explanation
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Of the 4 Directors, the following board members are considered by the Board to be independent Directors: • Mr Winton Willesee; and • Ms Kathy Yuan. As Chairman, Mr Willesee holds a casting vote.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The Chairman, Mr Winton Willesee, is an independent Non-Executive Director.
2.6	A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Yes	The Company's program for the induction of new directors is tailored for each new Director (depending on their personal requirements, background skills, qualifications and experience) and includes the provisions of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team; All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors may have access to various resources and professional development training to address any skills gaps.
3.	**Promote ethical and responsible decision making**		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes	(a) The Company has a Corporate Code of Conduct that applies to its Directors, employees and contractors. (b) The Company's Corporate Code of Conduct is available in the Corporate Governance Plan on the Company's website.
4.	**Safeguard integrity in financial reporting**		
4.1	The board of a listed entity should:	Yes	(a) Due to the size and composition of the existing Board following the resignation of two of its directors

	Recommendation	Compliance	Explanation
	(a) have an audit committee which: (i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		earlier in the year, the Company elected to dissolve its Audit and Risk Committee, with the full Board now assuming the duties ordinarily assigned to the Audit and Risk Committee. The Audit and Risk Committee Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time on at least an annual basis to consider the robustness of the various internal control systems it has in place to safeguard the integrity of the Company's financial reporting. In addition, following the completion of each half year review and annual audit the Company's external auditors confer with the Board on any matters identified during the course of the audit that have the potential to increase the Company's exposure to risks of material misstatements in its financial reports. The full Board also assumes responsibility for recommendations to security holders on the appointment and removal of the external auditor. Audit partner rotations will be enforced in accordance with the relevant guidelines.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and	Yes	Prior to the execution of the financial statements of the Company, the Company's Managing Director and Chief Financial Officer provide the Board with written assurances that the financial records of the Company have been properly maintained and that the financial statements comply with the

	Recommendation	Compliance	Explanation
	that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material aspects.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The first Annual General Meeting of the Company was held on 20 June 2016 and the Company's external auditor was in attendance at that meeting and made himself available to answer questions from security holders relevant to the audit.
5.	**Make timely and balanced decisions**		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	(a) The Company has adopted a *Continuous Disclosure Policy* which details the Company's disclosure requirements as required by the Listing Rules and other relevant legislation. (b) A copy of the *Continuous Disclosure Policy* is available on the Company website in its Corporate Governance Plan.
6.	**Respect the rights of shareholders**		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company has adopted a *Shareholder Communications Strategy* which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders, including via its website, through announcements released to the ASX, its annual report and general meetings. Shareholders are also welcome to contact the Company or its registrar, Computershare Investor

	Recommendation	Compliance	Explanation
			Services Pty Ltd, via email or telephone.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Shareholders are encouraged to participate at all general meetings of the Company by written statement contained in every notice of meeting sent to shareholder prior to each meeting. The Company also tries to accommodate shareholders who are unable to attend general meetings in person by accepting votes by proxy. Further, any material presented to shareholders at the meeting will be released to the ASX immediately prior to the commencement of the meeting for the benefit of those shareholders who are unable to attend in person. The Company will also announce to the ASX the outcome of each meeting immediately following its conclusion. At each general meeting, shareholders will be given an opportunity to ask questions in relation to the resolutions put to shareholders at that meeting, and in respect of the Company's business and operations generally. At each annual general meeting, shareholders will also be invited by the Chairman to ask questions of the Company's external auditor and the Board in relation to the annual financial report of the Company and the conduct of the audit.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Shareholders have the option of electing to receive all shareholder communications by e-mail and can update their communication preferences with the Company's registrar, Computershare, at any time.
7.	**Recognise and manage risk**		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least 3 members, a majority	Yes	(a) Due to the size and composition of the existing Board following the resignation of two of its directors earlier in the year, the Company elected to dissolve its Audit and Risk Committee, with the full Board now assuming the duties ordinarily assigned to the Audit and Risk

	Recommendation	Compliance	Explanation
	of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.		Committee. The Audit and Risk Committee Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time on at least an annual basis to fulfil the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Yes	(a) The Company's process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company's *Risk Management Policy* details the Company's disclosure requirements with respect to the review of the Company's risk management procedures and internal compliance and controls. (b) During the period, the Board of the Company attended the premises of the Company's head office in Guiyang, China and received a presentation on the multi-layered system of risk management that has been adopted by the Company and further noted the Company's plans

	Recommendation	Compliance	Explanation
			to evolve and continually improve the Company's risk management system as the Company develops.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	(a) The Company does not currently have a formal internal audit function however, many functions of an internal audit committee are addressed as part of the Company's broader risk management system. (b) The Company monitors, evaluates and improves its risk management and internal control processes in line with the processes set out in its *Risk Management Policy*. A copy of this policy is available at the Company's website.
7.4	A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	The Board has formed the view that the Company does not have any material exposure to economic, environmental or social sustainability risks, other than ongoing risks associated carrying out its operations as a loan guarantee company.

8.	**Remunerate fairly and responsibly**		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (i) has at least 3 members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	(a) Due to the size and composition of the existing Board the Company has elected not to establish a separate Remuneration Committee, and instead the full Board carried out the duties ordinarily assigned to the Remuneration Committee. The *Remuneration Committee Charter* is available on the Company's website in the Corporate Governance Plan. (b) The Remuneration Committee devotes time on an annual basis to discuss the level and composition of remuneration for directors and senior executives to ensure that such remuneration is appropriate and not excessive.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of	Yes	The Company's policies and practices regarding the remuneration of non-executive and executive directors and other senior employees are set out in its *Remuneration Policy*, a copy of which is available on the Company's website in the Corporate Governance Plan.

	their remuneration.		
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	(a) The Company does not currently have an equity-based remuneration scheme in place, however should it choose to adopt one in the future, the Company's Remuneration Committee must review and approve such a plan and will also assume responsibility for the review and approval, on a case by case basis, of a participants ability to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan. (b) A copy of the Company's *Remuneration Committee Charter* is available on the Company's website in the Corporate Governance Plan.

Shareholder Information

The shareholder information set out below was applicable as at 29 March 2017.

1. Quotation

Listed securities in Ding Sheng Xin Finance Co. Limited are quoted on the Australian Securities Exchange under ASX code DXF (Fully Paid Ordinary Shares).

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no options or performance rights on issue.

3. Distribution of Shareholders

Shares Range	Holders	Units	%
1 – 1,000	12	5,016	0.00
1,001 – 5,000	99	314,680	0.06
5,001 – 10,000	28	237,250	0.05
10,001 – 100,000	69	2,129,899	0.41
100,001 and above	29	514,426,498	99.48
Total	**237**	**517,113,343**	**100.00%**

On 29 March 2017, there were 21 holders of unmarketable parcels of less than 18,165 ordinary shares (based on the closing share price of $0.28). There is no on-market buy back currently in place.

4. Substantial Shareholders

The names of the substantial shareholders listed on the Company's register as at 29 March 2017 are:

- Grandeur Times limited

  Holder of: 211,099,900 fully paid ordinary shares, representing 40.82%

Notice received per prospectus

- Next Triumph Limited
  Holder of: 112,250,000 fully paid ordinary shares, representing 21.71%
  Notice received per prospectus

5. Restricted Securities

As at 29 March 2017, 323,350,000 of the 517,113,343 fully paid ordinary shares on issue are subject to voluntary escrow restrictions for a period of 24 months from the date of 3/03/16.

6. On market buy-back

There is currently no on market buy back in place.

7. Application of funds

The Company has applied its cash and assets readily convertible to cash in a way that is consistent with its business objectives detailed in its IPO prospectus.

8. Twenty Largest Shareholders

The twenty largest shareholders of the Company's quoted securities as at 29 March 2017 are as follows:

	Name	No. of Shares	%
1	Grandeur Times Limited	211,099,900	40.82
2	Next Triumph Limited	112,250,000	21.71
3	Citicorp Nominees Pty Limited	65,228,121	12.61
4	Copious Harvest Limited	22,750,000	4.40
5	Red Fountain Developments Limited	22,750,000	4.40
6	Majestic Dragon Limited	13,600,000	2.63
7	Mr Ping Jiang	10,000,000	1.93
8	He Xuan	10,000,000	1.93
9	Captain Choice Limited	9,100,000	1.76
10	Opulent Tycoon International Limited	9,100,000	1.76

11	Prestige Goal Holdings Limited	8,600,000	1.66
12	Ace Blossom Holdings Pty Ltd	6,650,000	1.29
13	HSBC Custody Nominees (Australia) Limited	3,296,269	0.64
14	De Investment Holdings Limited	3,000,000	0.58
15	Mr Yi Tang	2,000,000	0.39
16	Miss Zhiting Li	1,386,176	0.27
17	Mrs Ru Wang	889,717	0.17
18	Mr Yi Bin Chen	468,073	0.09
19	Ms Jinqiao Qian	317,460	0.06
20	Mr Yiping Wang	317,460	0.06
	Total	**512,803,176**	**99.17**

ASSURANCE ADELAIDE PTY LTD
ASIC Approved Authorised Audit Company

ABN 26 139 429 691
C/- Pitcher Partners SA Pty Ltd
Level 1,100 Hutt Street, Adelaide SA 5000, Australia

Liability limited by a scheme approved under Professional Standards Legislation

Ding Sheng Xin Finance Co. Limited
64 603 612 479

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DING SHENG XIN FINANCE CO. LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ding Sheng Xin Finance Co. Limited. "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report section* of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition
Refer to Note 2: Revenue</td></tr>
<tr><td>The Group derives its main revenue from fees charged under guarantee service contracts to various customers as described below:

(i) household consumers in the Chinese market place with a guarantee to their bank in relation to their loan repayments for a home renovation

(ii) a working capital bank guarantee for small and medium-sized enterprises in the market place

Item (i) and (ii) are classified as financial guarantee fee income in the financials

(iii) non-financial guarantee services to consumers and SME’s in respect of performance and litigation guarantee.

Item (iii) are classified as Premium fee income in the financials

The guarantee service contractual arrangements are generally between the Group, the customers and the bank in relation to (i) and (ii) above and in relation to (iii), the Group, the customer and its counter parties.

The Group recognises revenue in accordance with AASB 118 Revenue and the requirements of AASB139 Financial Instruments: Recognition and. Measurement and AASB1023 General Insurance contracts by engaging an external expert to assist with the measurement of revenue in accordance with these Accounting Standards

This is a key audit matter due to the estimation of discounting rate used and risk exposure assessed over the course of the contract life, leading to complex and judgemental revenue recognition from these guarantee contracts.</td><td>Our procedures included, amongst others:

For revenue from providing guarantee services, we:

▪ obtained and documented our understanding of the revenue accounting systems, contract database and internal controls in place

▪ performed walkthrough of the systems to assess the effectiveness of the controls and whether we place any reliance on the controls implemented

▪ selected a sample of contracts in each of the three categories and ensured the details are accurately reflected in the database

▪ selected a sample of contracts from the database and tested accuracy of the source data used in the calculation of revenue

▪ reviewed the methodology, inputs and calculations used by the external expert for a sample of contracts against the revenue measurement and recognition</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Other receivable

Refer to Note 9: Trade and other receivable</td></tr>
<tr><td>Note 9 (iv) of the financial statements refers to other receivables totalling $38,914K which represents the total amount of Earnest Money paid during the year to three separate Chinese companies in the same industry of the Group.

The Group paid these funds as part of its due diligence process and for these companies to provide access to certain documents and financial records so the Group can determine whether they are suitable for acquisition.

The $38,914K of Earnest Money is comprised of $26,982K paid to a company during October 2016 and $5,966K paid to two other companies during November and December 2016 respectively totalling $11,932K.

Should the Group elect not to pursue acquisition after receipt of the due diligence reports for these companies then the Earnest Money received by these companies will be refunded in full to the Group in accordance with their respective Earnest Money contractual arrangements.

This is a key audit matter because of the nature and magnitude of the transaction entered into by the Group with these three companies.</td><td>Our procedures included, amongst others:

• reviewed the terms and conditions of the contractual arrangements between the Group and the three Chinese companies

• sought confirmation from the three Chinese companies for the amounts paid by the Group including the refund terms and other conditions in the contractual arrangements

• conducted a company search and reviewed the three Chinese companies for any related party transactions or relationships with the Group</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Recoverability of guarantee fee receivable and subrogations receivables

Refer to Note 9: Trade and other receivable</td></tr>
<tr><td>The Groups’ trade receivables are primarily comprise of guarantee fee receivables and subrogation receivables.

As at 31 December 2016, Guarantee fee receivables of $2,997K represent fees payable by customers to the Group in accordance with their guarantee service contract. These fees accumulate as receivables over time when the customers do not pay in accordance with terms and conditions of the contract.

As at 31 December 2016, subrogation receivables of $10,361K represent default loan amounts repaid by the Group on behalf of customers. Upon default by a customer in respect of repayment of financing arrangements, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of customers. The Group will then request repayment from customers or take possession of any assets pledged as collateral for the guarantee to recover the outstanding balance.

The Group records the impairment losses in respect of guarantee fee receivables and subrogation receivable using an allowance account for doubtful debts unless the Group is satisfied that recovery of the amount is remote in which case the impairment loss is written off against debtors directly.

As at 31 December 2016, the total allowance for doubtful debts related to guarantee fee receivables and subrogation receivables of $1,001K, which includes $471K of allowance for doubtful subrogation receivables and $530K of allowance for doubtful guarantee fee receivables.

This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgments in relation to credit risk exposures to determine the recoverability of these receivables and adequacy of the allowance for doubtful debts.</td><td>Our procedures included, amongst others:

• Reviewed and tested ageing of the guarantee fee receivable and subrogation receivable

• Sought direct confirmations for a sample of individually material subrogation receivables to confirm their existence and acknowledgment of the debt

• Assessed the recoverability of a sample of large outstanding guarantee fee receivables and subrogation receivables by comparing management’s views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with reviewing cash received subsequent to year end for its effect in reducing amounts outstanding at year end

• Assessed the adequacy of the allowance account by comparing the subrogation receivable and guarantee fee receivable balance to underlying value of pledged collateral</td></tr>
</table>

Key audit matter	*How our audit addressed the key audit matter*
Financial Instrument risk management *Refer to Note 24: Financial Instrument risk management*	
The Group issues guarantees service contracts which require the issuer (i.e. the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. As at 31 December 2016, the total risk exposure for financial guarantee are $308,317K and total risk exposure for non-financial guarantees are $387,216K. The overall provision for guarantee losses for financial guarantee contracts and unexpired risk premium for non-financial guarantee contracts is estimated by the Group as 0.1% of the total exposure based on historical patterns of bad and doubtful debts in accordance with reference to the requirements of *AASB 137 Provisions Contingent Liabilities and Contingent Assets* This is key audit matter due to the magnitude of the total risk exposure to the Group.	Our procedures included, amongst others: • reviewed the Groups database of guarantee services contracts to the disclosures in the financial statements • reviewed the methodology used by the Group against the requirements of the Accounting Standards • selected a sample of financial guarantee contracts from the database and reviewed the underlying value of the collateral to assess the adequacy of the provision for guarantee losses • selected a sample of non-financial guarantee contracts from the database and reviewed the underlying value of the collateral to assess the adequacy of unexpired risk premium

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 Australian Accounting Standards and the *Corporations Act 2001* 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are

responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 31 December 2016. In our opinion, the Remuneration Report of Ding Sheng Xin Finance Co. Limited., for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Assurance Adelaide Pty Ltd
Authorised Audit Company (Registered No.: 341893)

Jim Gouskos
Director
Adelaide, South Australia
31 March 2017