

24 September 2017

Elizabeth Harris
Principal Advisor
ASX Listing Compliance
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Ms Harris

ASX Query: Ding Sheng Xin Finance Co. Limited

We refer to your letter dated 4 September 2017 and your subsequent queries in which you have sought a response from the Company in relation to questions raised by the ASX regarding the Company's Dividend and Half Year Accounts.

In response to ASX's queries, the Company advises as follows:

Dividend

1. The Company wishes to provide additional information to add to its announcement of 16 December 2016. The Company has reviewed the situation with regards to the relevant regulatory processes and now confirms that to the best of its understanding the formal governing documentation of the regulations and processes have not changed.

The Company now concludes that its understanding of what is required to obtain a transfer approval for a company of its nature is that it is considerably more onerous than the Company understood it to be at the time of making the release of 16 December 2016.

2. Based on the Company's operations it is regulated by seven ministries, commissions and state administration.

These are; 1. China Banking Regulatory Commission, 2. National Development and Reform Commission, 3. Ministry of Industry and Information Technology of the People's Republic of China, 4. Ministry of Finance of the People's Republic of China, 5. Ministry of Commerce of the People's Republic of China, 6. The People's Bank of China and 7. State Administration for Industry & Commerce of the People's Republic of China.

These bodies oversee a number of regulations of which, 1. Regulations of the People's Republic of China on the Management of Foreign Exchanges, 2. Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions, 3. Circular on issues concerning the remittance of profits, dividends and bonuses of designated foreign exchange banks, and 4. Circular on Amending Circular on issues concerning the remittance of profits, dividends and bonuses of designated foreign

exchange banks, are relevant to the Company and the approval processes that it is currently undertaking.

The process the Company must follow to obtain the relevant approvals are that it submits a written application accompanied by 1. its foreign exchange registration certificate of foreign invested enterprises, 2. a Board resolution approving the distribution, 3. the capital verification report issued by a certified public accounting firm, and 4. the audit report on the relevant annual profits or dividends and bonuses, and/or tax invoices as relevant.

In cases where parties seeking approvals for transfers of funds out of China are involved in litigation the regulatory authority generally holds a very cautious attitude towards that applicant's application to transfer funds (including bonuses, profits, dividends and labour costs) in order to safeguard against any adverse impact on any final duty of performance for the litigations.

Specifically to the Company's circumstances, it notes that it is currently involved in litigation (refer ASX letter of 5 May 2017), and consequently the regulatory authorities are imposing a higher level of scrutiny on the current application than the Company believes would otherwise have been the case.

This is in order to avail the authorities with the opportunity to determine the probable debt liability of the Company as the secondary debtor to the loans and other performances it has guaranteed in order to ensure any transfers do not jeopardise the interests and rights of the creditors whose loans or obligations of counterparties have been guaranteed by the Company

This contributes to the time that approvals take and in the Company's situation the time taken on this current approval was not anticipated by the Company at the time of declaring its Dividend.

The Company has supplied all that is required for both its Dividend and an additional transfer of working capital and been in regular contact with the authorities to monitor progress.

3. No, however as per noted above the nature of the Company's operations mean it will be involved in litigation and due to this the regulatory authority holds a very cautious attitude towards the Company's application to transfer funds (including bonuses, profits, dividends and labour costs) out of China, in order to prevent any adverse impact on any final duty of performance for the litigations.
4. The Company is not confident of a timely approval for the Dividend payment, and is not in a position to provide a time frame for resolution.

Half Year Accounts

5. Yes, the Company is still awaiting approvals for the transfers to meet this expense.
6. Refer Question 2 above
7. No, however refer to points 2 and 3 above for further detail.
8. The Company anticipates receiving the relevant approvals in October 2017. The Company notes that the regulator has indicated to the Company that given that delays in this transfer may impact the Company's ordinary course of business functions the consideration of this transfer will be concluded in priority to those in relation to the Dividend noted at point 4 above.

9. The Company anticipates the process for the auditor's review of the Half Year Report and Accounts will take approximately six weeks and accordingly the Company anticipates being in a position to lodge its account approximately six weeks from the date of the approval for the currency transfers noted in point 8 above and provision of the relevant information for the review.
10. This is the first time since the IPO that the Company has sought to have funds transferred back to the parent from China and accordingly it is the first time the Company has had to seek these approvals. The Company expects that once the initial approvals have been received subsequent approvals will be received in a more timely manner which will facilitate the Company meeting its financial reporting timetables in the future.

Compliance with the Listing Rules

11. The Company confirms that, other than not meeting the deadline for the lodgement of its June 2017 accounts, it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
12. The Company confirms that the Company's responses have been approved by officers with authority to respond to ASX on disclosure matters.

Yours faithfully



Mr Guo Zhenhua
Managing Director
Ding Sheng Xin Finance Co. Limited



4 September 2017

Ms Eryn Dale
Company Secretary
Ding Sheng Xin Finance Co. Limited
Suite 25, 145 Stirling Highway
Nedlands WA 6009

By email: Erlyn@azc.com.au

Dear Ms Dale

Ding Sheng Xin Finance Co. Limited (the "Entity")

ASX Limited refers to the following:-

1. The Entity's announcement dated 30 September 2016, released on ASX Market Announcements Platform ("MAP") on 3 October 2016 titled "DSX Finance Declares Maiden Dividend" which stated that the Entity had declared an unfranked dividend of \$0.01 per share which would be paid on 16 December 2016;
2. The Entity's announcement released on MAP on 16 December 2016 titled "Dividend Update" which advised that the payment of the dividend announced to ASX on 30 September 2016 had been delayed due to recent changes to the processes required under Chinese regulations for the transfer of funds out of China. The announcement further stated that the approvals were anticipated shortly and the Entity would update shareholders as soon as a definitive date became available;
3. The Entity's announcement released on MAP on 30 January 2017 titled "Quarterly Report for the quarter ended 31 December 2016" which stated (inter alia) as follows:-

"On 16 December 2016, the Company advised of a delay to payment of its maiden dividend due to recent changes to the processes required under Chinese regulations for the transfer of funds out of China. Management is working through the relevant approvals required and will update shareholders once a new payment date is confirmed which is anticipated to be shortly.

Shareholders were also provided with the right to reinvest their dividends into shares in the Company via a dividend reinvestment plan.

The Board remains committed to paying dividends in line with strong revenues and profits going forward."

4. The Entity's announcement dated 28 April 2017 released on MAP on 1 May 2017 titled "Quarterly Report for the quarter ended 31 March 2017" which stated (among other things) as follows:-

"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 received shortly.”

5. The Entity’s announcement released on MAP on 27 July 2017 titled “Quarterly Report for the quarter ended 30 June 2017” which stated (inter alia) as follows:-

“Delayed Dividend Payment Update

In the latter part of 2016, the Company declared a maiden dividend of 1 cent per share. It also announced the adoption of a dividend reinvestment plan (DRP) allowing shareholders to reinvest the maiden dividend in the Company.

As later announced, the payment date was delayed due to the changes in the regulatory processes related to transfer of funds from China.

The Company is continuing to seek the relevant approvals and will update the market in due course.

The Company’s four largest shareholders, including key executives in China (holding approximately 71.3% of the issued capital of the Company) whilst very supportive of the dividend to minority shareholders, have waived their right to a dividend and will not take the cash nor seek to participated in the DRP, requesting that the Company retain that capital for its growth initiatives.”

6. The suspension of trading in the Entity’s securities at the request of the Entity on 29 August 2017 as the Entity considered that it was “*unlikely to be in a position to meet the 31 August 2017 deadline for lodging its Half Year accounts.*” The half year report and accounts for the period ending 30 June 2017 (“Half Year Report and Accounts”) were not lodged by 31 August 2017 as required by Listing Rule 4.2A.2A.

7. Section 4.23 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* which states as follows:

Where an entity has been suspended from quotation under for breaching an ASX Listing Rule, ASX will expect the entity to make an immediate announcement to the market to that effect, explaining the reason for the breach and when the entity expects to be in a position to rectify the breach so that trading in its securities can resume.

Having regard to the above, ASX asks the Entity to respond separately to each of the following questions and requests for information in a format suitable for release to the market.

ASX Queries

Dividend

1. Please explain in detail what were the “changes in the regulatory processes related to transfer of funds from China” referred to in the various announcements referenced above.
2. Please explain in detail the Chinese regulatory approvals which now need to be obtained before the Entity can pay the dividend to its shareholders announced on 1 October 2016 and the steps taken by the Entity to obtain the requisite approvals.
3. Have the relevant Chinese regulatory authorities given any reason for withholding or delaying the approvals referred to in paragraph 2? If so, what are those reasons?
4. What is the anticipated time frame for the receipt of the requisite approvals referred to in paragraph 2 and the payment of the dividend to the Entity’s shareholders?

Half Year Report and Accounts

5. ASX understands that the reason the Entity has not been able to lodge its Half Year Report and Accounts is that it has not been able to obtain the necessary approvals to transfer funds from China to pay its auditors. Please confirm whether or not that is the case.
6. Please explain in detail the Chinese regulatory approvals which need to be obtained before the Entity can transfer funds from China to pay its auditors and the steps taken by the Entity to obtain the requisite approvals.
7. Have the relevant Chinese regulatory authorities given any reason for withholding or delaying the approvals referred to in paragraph 6? If so, what are those reasons?
8. What is the anticipated time frame for the receipt of the requisite approvals referred to in paragraph 6 and the payment of the Entity's auditors?
9. When does the Entity expect to be able to lodge its Half Year Report and Accounts?
10. What arrangements does the Entity have in place, or propose to put in place, to ensure that it will be able to comply with its reporting obligations under the Listing Rules in a timely manner in the future?

Compliance with the Listing Rules

11. Please confirm that the Entity is in compliance with the listing rules and, in particular, listing rule 3.1.
12. Please confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 4:00 pm on Wednesday 6 September 2017.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Elizabeth.Harris@ASX.com.au with a copy to tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

ASX would remind the Entity that its obligation to comply with the Listing Rules, and in particular the continuous disclosure requirements in Listing Rule 3.1, is not affected by the suspension of its securities from quotation (see Listing Rule 18.6).

Should the Entity's suspension from quotation continue, ASX would also remind it of the recommendation in section 4.23 of Guidance Note 8 that it implement a system of periodic (monthly or quarterly) disclosures to ensure that the market and its security holders are provided with regular updates as to its status and, in particular, the plans it may have for trading in its securities to resume and its progress in implementing those plans. If the Entity fails to make such disclosures voluntarily at least quarterly, it may be required by ASX to provide such information to ASX for release to the market.



If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Elizabeth Harris

Principal Adviser, Listings Compliance (Perth)