



鼎盛鑫融资担保
DSX FINANCE

Ding Sheng Xin Finance Co. Limited ABN 64 603 612 479

PROSPECTUS

For an offer of 50,000,000 Shares at an issue price of \$0.60 each to raise up to \$30,000,000 before costs, with a minimum subscription requirement to raise at least \$10,000,000 before costs.

Important notice: This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay. The Shares offered by this Prospectus should be considered highly speculative.



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IMPORTANT INFORMATION

NOTICE

This Prospectus is dated 28 August 2015 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX take responsibility for the contents of this Prospectus.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to this Prospectus to be admitted for quotation on ASX.

No Shares will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form attached to or accompanying this Prospectus. Before applying for Shares investors should carefully read this Prospectus so that they can make an informed assessment of the rights and liabilities attaching to the Shares, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects.

Any investments in the Company should be considered highly speculative. Applicants should read this Prospectus in its entirety and persons considering applying for Shares pursuant to this Prospectus should obtain professional advice.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any such information or representations may not be relied upon as having been authorised by the Directors.

FOREIGN INVESTOR RESTRICTIONS

The offer of Shares under this Prospectus does not constitute an offer in any jurisdiction outside Australia. The Offer is not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. Any persons in such places who come into possession of this Prospectus should seek advice on and comply with any legal restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their

professional advisers as to whether any regulatory or other consents are required or whether any other formalities need to be considered and followed. For information on selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, see Section 9.10.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the Company's website at www.dsxfinance.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 8 9389 3100. For further information, see Sections 1.18 and 9.7.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

NO COOLING OFF RIGHTS

Applicants have no cooling off rights in relation to Shares for which they apply. This means that an applicant is not permitted or entitled to withdraw its application once submitted, other than in certain specified circumstances as detailed in the Corporations Act.

RISKS

Before deciding to invest in the Company, investors should read the entire Prospectus and in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered by this Prospectus should be considered highly speculative. Refer to Section 6 for details relating to risk factors.

DISCLAIMER

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Certain statements in this Prospectus constitute forward looking statements. These forward looking statements are identified by words such as “may”, “could”, “believes”, “expects”, “intends”, and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 6.

FINANCIAL AMOUNTS

All references in this Prospectus to “\$”, “AUD”, “dollars” or “cents” are references to Australian currency unless otherwise stated.

All references to “RMB”, “Renminbi” or “Chinese Renminbi” are references to Chinese currency.

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

EXCHANGE RATE

Unless otherwise stated, all amounts in RMB that have been converted to AUD in this Prospectus have been converted using the Reserve Bank of Australia’s foreign currency exchange rate on 24 August 2015 of A\$1 = RMB 4.627. The Company notes that exchange rates are subject to change. Investors are advised to take this into consideration when considering historical figures in RMB that have been converted into AUD using the exchange rate as at 24 August 2015.

DEFINITIONS AND TIME

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 12.

All references to time relate to the time in Perth, Western Australia unless otherwise stated or implied.

GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.



CORPORATE DIRECTORY

DIRECTORS

Mr Guo Zhenhua

Managing Director
Chief Executive Officer

Ms Tang Wenfeng

Executive Director
Chief Operating Officer

Ms Chang Chen

Non-Executive Chairman

Mr James Zhong

Non-Executive Director

Ms Kathy Yuan

Non-Executive Director

JOINT COMPANY SECRETARIES

Mr Winton Willesee

Ms Erlyn Dale

REGISTERED OFFICE

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Nedlands WA 6009
Australia

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People's Republic of China

WEBSITE

www.dsxfinance.com.au

ASX CODE

DXF

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

CORPORATE ADVISER

Dao Capital Group Limited
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200030
People's Republic of China

AUDITOR

Moore Stephens Assurance Adelaide Pty Ltd
Level 4, 81 Flinders Street
Adelaide SA 5000

INVESTIGATING ACCOUNTANT

Nexia Melbourne Pty Ltd
Level 18, 530 Collins Street
Melbourne VIC 3000

AUSTRALIAN TAXATION ADVISER

Moore Stephens Adelaide Pty Ltd
Level 4, 81 Flinders Street
Adelaide SA 5000

AUSTRALIAN LEGAL ADVISER

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

PRC LEGAL ADVISER

Beijing DHH Law Firm
16/F CBD International Masion
No. 16 Yong'an Dongli, Chaoyang District
Beijing 100022
People's Republic of China

LETTER FROM THE CHAIRMAN



28 August 2015

Dear Investor,

On behalf of the board of Directors, I am delighted to present this Prospectus to you and offer you the opportunity to become a Shareholder of Ding Sheng Xin Finance Co. Limited (**Company**).

The Company's wholly owned operating subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd, was established in 2005 and has grown to become a trusted provider of guarantee services in the PRC.

The Company is based in Guizhou Province in the PRC, where it currently has 8 operating branches. In recent years the Company has successfully expanded its branch network throughout the PRC giving it a total of 11 operating branches across 4 provinces, at which it employs approximately 300 staff members.

The Company's operations are mainly comprised of financing guarantee services, such as the guarantee of a borrower's loan repayments to a bank. The Company is now also providing 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).

Over the years the Company has guaranteed an aggregate amount of more than RMB 6 billion (approximately A\$1.3 billion) for approximately 6,500 customers which is mostly comprised of the Company's focused markets of SMEs and individuals.

The Company is committed to the concept of 'inclusive finance', believing that people and businesses from all sectors of society should have the opportunity to obtain finance. The Company takes immense pride in providing guarantee services which promote social and economic growth such as its "Working Capital Guarantee" for SMEs and its "Home Decoration Guarantee" tailored for individuals and families.

This Prospectus contains an offer to the public of up to 50,000,000 Shares at an issue price of \$0.60 each to raise up to \$30,000,000 before costs. The proceeds from the Offer will primarily be used to open new branches across the PRC, and to fund marketing and promotional activities. The capital injection will also enable the Company to reduce its 'Magnification' which will increase the Company's capacity to provide guarantee services (see Section 2.4.2 further information).

The Company is committed to listing on the ASX as it offers a sophisticated capital market and an internationally recognised corporate governance environment, which the Directors believe will provide a suitable platform for the Company's growth.

An investment in the Company is subject to risks, including company specific risks and general risks. Detailed information about these risks is set out in Section 6, which I encourage you to read carefully.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of Ding Sheng Xin Finance Co. Limited.

Yours faithfully

Chang Chen
Chairman

KEY OFFER DETAILS

Key Financial Information	Minimum Subscription	Mid Subscription	Full Subscription
Issue price per Share	\$0.60	\$0.60	\$0.60
Shares being offered under the Offer	16,666,667	33,333,333	50,000,000
Amount to be raised under the Offer (before costs)	\$10,000,000	\$20,000,000	\$30,000,000
Total number of Shares on issue before completion of the Offer	500,000,000	500,000,000	500,000,000
Total number of Shares on issue upon completion of the Offer	516,666,667	533,333,333	550,000,000
Indicative market capitalisation upon completion of the Offer ¹	\$310,000,000	\$320,000,000	\$330,000,000

Notes:

1. Market capitalisation is determined by multiplying the total number of Shares on issue by the price at which the Shares trade on the ASX from time to time. In the case above, the market capitalisation is calculated at the issue price of each Share under the Offer, being \$0.60. Please note that there is no guarantee that the Shares will be trading at \$0.60 upon the Company listing.
2. Please refer to Section 1.6 for further details relating to the proposed capital structure of the Company.

Important dates

Lodgement of this Prospectus with ASIC	28 August 2015
Opening Date for the Offer	4 September 2015
Closing Date for the Offer	2 October 2015
Issue of new Shares under the Offer	16 October 2015
Holding statements sent to Shareholders	21 October 2015
Expected date for Shares to commence trading on ASX	26 October 2015

Note: The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Opening Date if they wish to invest in the Company.

INVESTMENT OVERVIEW

This Section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

Topic	Summary	More information
The Company		
Who is the issuer of this Prospectus?	Ding Sheng Xin Finance Co. Limited ABN 64 603 612 479 (Company).	Section 3
Who is the Company and what does it do?	<p>The Company is the parent company of the Group, which also comprises China Ding Sheng Xin Holdings Limited (a company registered in Hong Kong) (HK DSX), Guizhou Ding Sheng Xin Long Asset Management Co., Ltd (a company registered as a wholly foreign owned enterprise in the PRC) (WFOE DSX), and Ding Sheng Xin Financing Guarantee Co., Ltd (a company registered in the PRC) (PRC DSX).</p> <p>Established in 2005, PRC DSX is the operating entity of the Group, providing guarantee services in 11 operating branches across 4 provinces in the PRC.</p> <p>The Company predominantly provides financing guarantee services, such as the guarantee of a borrower's loan repayments to a bank.</p> <p>The Company 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).</p>	Sections 3.1 and 3.3
How does the Company generate income?	<p>The Company primarily generates its revenue through the provision of financing and non-financing guarantee services to its customers. Generally, guarantee fees are charged at a rate of 2-5% of the monetary value of the obligations being guaranteed, and are payable by the customer to the Company either up-front or on a monthly basis.</p> <p>The Company considers that its ability to grow and generate income is dependent on its key strengths and strategies.</p>	Section 3.3
What are the Company's flagship guarantee services?	<p>The Company's 2 flagship guarantee services are its:</p> <ul style="list-style-type: none"> • "Working Capital Guarantee" (branded as "Ze Wu Pang Dai" in the PRC) – a customised guarantee service for SMEs to assist them with obtaining finance from banks more conveniently and efficiently; and • "Home Decoration Guarantee" (branded as "Gai Chao Huan Dai" in the PRC) – designed to assist individuals with obtaining bank loans to fund the decoration of their homes. 	Section 3.3.1

Topic	Summary	More information
What are the Company's key strengths?	<p>Some of the Company's key strengths include its:</p> <ul style="list-style-type: none"> • risk management systems enabling it to reduce instances of customer default; • defined business structure which is implemented across all of its branches and can be efficiently replicated in new branches; • established market position; • strong relationships with banks and other financial institutions; • network of 11 operating branches spanning across 4 provinces in the PRC; • strong support received from government; and • experienced and skilled management team. 	Section 3.7
What are the Company's key business strategies?	<p>Some of the Company's strategies are to:</p> <ul style="list-style-type: none"> • increase its Magnification through funds raised under the Offer and, potentially, funds raised via equity capital markets in the future; • further expand its branch network throughout the PRC to increase its brand awareness and access new markets; • increase marketing and promotional activities; and • innovate new types of guarantee services. 	Section 3.8
What is the financial position of the Group?	<p>As at 31 December 2014, the Group has:</p> <ul style="list-style-type: none"> • a cash balance of RMB 23.21 million (approximately A\$5.02 million); • total assets of RMB 65.15 million (approximately A\$14.08 million); • net assets of RMB 58.52 million (approximately A\$12.65 million); and • total equity of RMB 58.52 million (approximately A\$12.65 million). <p>The above financial information for FY2014 is based on the audited financial statements of the Group. The audited financial information has been converted to AUD from PRC DSX's presentation currency of Chinese Renminbi, based on the foreign currency translation policy outlined in Section 4.2.3.</p> <p>Applicants should note that past performance is not a reliable indicator of future performance.</p> <p>Further financial information regarding the Group is set out in Section 4 and is considered in the Investigating Accountant's Report included in Section 5 of this Prospectus.</p>	Section 4
The Offer		
What is the Offer?	The Company is offering up to 50,000,000 Shares to the general public at an issue price of \$0.60 each to raise up to \$30,000,000 before costs (Offer). There is no allowance for oversubscriptions.	Section 1.1
What is the Minimum Subscription?	The minimum subscription requirement for the Offer is \$10,000,000, representing the subscription of 16,666,667 Shares at an issue price of \$0.60 each (Minimum Subscription).	Section 1.3

Topic	Summary	More information
Why is the Offer being conducted?	<p>The principal purposes of the Offer are to:</p> <ul style="list-style-type: none"> comply with ASX's requirements for listing the Company on the ASX; enhance the public and financial profile of the Company to facilitate further growth of the Company's business; provide funds for the purposes set out in Section 1.5; increase the Company's level of net assets to increase its capacity to provide financing guarantee services (see Section 2.4.2 for further information); and provide the Company with access to equity capital markets for future funding needs. 	Section 1.4
How will funds raised under the Offer be used?	<p>Depending on how much is raised, it is proposed that funds raised under the Offer will be applied towards:</p> <ul style="list-style-type: none"> expenses of the Offer; opening new branches in the PRC; marketing and promotion; and general working capital. 	Section 1.5
What is the effect of the Offer on the capital structure of the Company?	<p>The effect of the Offer on the capital structure of the Company will depend on the amount raised under the Offer. For example, the Company's Share capital will enlarge by the following percentages based on the following levels of subscription under the Offer:</p> <ul style="list-style-type: none"> Minimum Subscription – 3.3%; Mid Subscription – 6.7%; and Full Subscription – 10%. 	Section 1.6

Key risk factors

Investors should be aware that subscribing for Shares in the Company involves a number of risks. The risk factors set out in Section 6, and other general risks applicable to all investments in listed shares, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises only some of the risks which apply to an investment in the Company and investors should refer to Section 6 for a more detailed summary of the risks.

Economic conditions	<p>The guarantee services industry in the PRC is affected by various economic factors, including economic growth, investment levels, the property market and urbanisation. Adverse developments in economic factors such as these are likely to have a detrimental impact on the Company's performance and its Share price. Further, if economic conditions deteriorate in the PRC then the Company's exposure to default risk will increase which may in turn impact on the Company's profitability.</p>	Section 6.1.1
Customer default risk	<p>The Company is exposed to the risks associated with a customer defaulting on its obligations. In the event of default, the Company assumes responsibility for the customer's obligations which generally requires the Company to make a payment to a bank or other party. Relying on its counter-security measures, the Company will then seek to recover its loss from the customer through debt recovery and, if necessary, legal proceedings. However, there is no guarantee that the Company will be able to recover its loss in full or at all.</p>	Section 6.1.2

Topic	Summary	More information
Increased market supervision	Policy makers in the PRC have indicated that they will continue to increase their supervision of the guarantee services industry. It is possible that increased supervision and the introduction of new regulations in the guarantee industry will create financial or time-consuming obligations on the Company. This could divert resources of the Company away from its business operations, which may in turn affect the performance of the Company.	Section 6.1.3
Magnification levels	Most banks in the PRC require a guarantee company to have a Magnification which is less than 5 to 6 times its net assets. The Company's Magnification at 31 December 2014 was 4.84, and is therefore nearing its limit. The impact of this has seen the Company temporarily suspend operations at its Qianxinan branch. One of the key purposes of the Offer is for the Company to receive an injection of capital through the funds raised under the Offer, which will in turn lower the Company's Magnification and enable it to provide more financing guarantee services.	Section 6.1.4
Uncertainty in the economy	<p>There is significant uncertainty surrounding the trajectory for growth and macroeconomic policy in the PRC. The recent volatility in the Chinese equity market and the government's policy response have both increased the general level of uncertainty regarding the economic outlook in the PRC. More uncertainty has been created by the devaluation of China's currency in August 2015, which is believed to have been done by the Chinese government to prevent its economy from slowing further by making its exports cheaper.</p> <p>The uncertainty surrounding the economy in the PRC makes it difficult for the Company to foresee and manage risks. A significant deterioration of economic conditions in the PRC may have a negative impact on the performance of the Company and the value of its Shares.</p>	Section 6.2.1
Government role	<p>The PRC government exercises significant control over its economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy, and preferential treatment to particular industries or companies. Certain measures adopted by the Chinese government may restrict loans to certain industries, such as changes in the statutory deposit reserve ratio and lending guidelines for commercial banks by the People's Bank of China.</p> <p>These current and future government actions could materially affect the Company's liquidity, access to capital, and ability to operate its business.</p>	Section 6.2.2
PRC legal system and legal risks	The Group's operations in the PRC are governed by PRC laws and regulations. The introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities may have an adverse impact on the Group's operations.	Section 6.2.3

Topic	Summary	More information
Payment of dividends from PRC Subsidiaries	<p>The Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. As the Company receives all of its revenues in RMB, the Company relies principally on dividends from its PRC Subsidiaries to fund any cash and financing requirements the Company may have.</p> <p>The inability of the PRC Subsidiaries to distribute dividends or other payments to the Company could materially and adversely affect the Company's ability to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends, or otherwise fund and conduct its business.</p>	Section 6.2.4
Unregistered securities	<p>The process for registering security interests in the PRC is time consuming and costly and, as a result, many of the Company's security interests have not been registered. The Company registers its security interests based on risk and other commercial factors.</p> <p>Although this is considered standard for guarantee companies in the PRC, it does present some risks for the security holder, including in relation to priority and the possibility of the customer selling the relevant asset to a bona fide purchaser.</p> <p>The Company notes, however, that it has established and implemented robust risk management systems which include ongoing monitoring of its customers after the guarantee is entered into. This assists the Company with identifying any changes to the customer's risk profile which may prompt the Company to register any unregistered security interests. The Company experiences very few defaulting customers, with the percentage of financing guarantees that the Company was required to pay due to customer default being 1.21% in 2014.</p>	Section 6.3.1
Expiry of escrow	<p>If mandatory escrow applies, approximately 96.8% (assuming Minimum Subscription) or 90.9% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 12 or 24 months. If mandatory escrow does not apply, approximately 62.6% (assuming Minimum Subscription) or 58.8% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 24 months.</p> <p>At the end of the escrow periods a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price.</p>	Section 6.3.2
Trade liquidity	<p>The number of Shares subject to escrow poses a risk that illiquidity in the trading of the Shares will arise and that Shareholders may be unable to sell their investment due to limited demand for the Shares, or may only be able to sell their Shares in small parcels. An illiquid market is likely to have an adverse impact on the Share price.</p>	Section 6.3.3

Topic	Summary	More information														
Concentration of ownership of shares	<p>Upon completion of the Offer, Granduer Times Limited (owned by Managing Director and Chief Executive Officer, Mr Guo Zhenhua) will hold 211,100,000 Shares representing 40.9% (assuming Minimum Subscription) or 38.4% (assuming Full Subscription) of the Shares and voting rights in the Company. Further, Next Triumph Limited (owned by Executive Director and Chief Operating Officer, Ms Tang Wenfeng) will hold 112,250,000 Shares representing 21.7% (assuming Minimum Subscription) or 20.4% (assuming Full Subscription) of the Shares and voting rights in the Company.</p> <p>Although they are not considered to be associates of one another, each of these Shareholders individually would exert significant influence over matters requiring the approval of Shareholders, including the election of directors, and in doing so may not vote in the interests of other minority Shareholders.</p>	Section 6.3.4														
Growth management	One of the Company's strategies moving forward is to continue to expand by establishing new branches throughout the PRC. This expansion plan may place significant strain on the Company's managerial, operational and financial resources. Although the Company considers its defined business structure can be efficiently replicated in new branches, the Company cannot give assurance that its personnel, systems, procedures and controls will be adequate to implement its business plans or support future growth.	Section 6.3.5														
Other key Offer details																
What are the important dates of the Offer?	<table><tr><th colspan="2">Important dates</th></tr><tr><td>Prospectus lodged</td><td>28 August 2015</td></tr><tr><td>Opening Date</td><td>4 September 2015</td></tr><tr><td>Closing Date</td><td>2 October 2015</td></tr><tr><td>New Shares issued</td><td>16 October 2015</td></tr><tr><td>Holding statements sent</td><td>21 October 2015</td></tr><tr><td>Trading commences</td><td>26 October 2015</td></tr></table> <p>The above dates are indicative only and may change without notice.</p>	Important dates		Prospectus lodged	28 August 2015	Opening Date	4 September 2015	Closing Date	2 October 2015	New Shares issued	16 October 2015	Holding statements sent	21 October 2015	Trading commences	26 October 2015	
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What rights and liabilities attach to the Shares being offered?	The rights and liabilities attaching to the Shares are described in Section 9.1.	Section 9.1														
Will any capital raising fees be payable in respect of the Offer?	The Company reserves the right to pay a fee of up to 5% (excl. GST) of amounts subscribed to any licenced securities dealer or Australian Financial Services licensee who has procured investment under the Offer.	Section 1.8														
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 1.9														
Will the Shares issued under the Offer be quoted?	The Company will apply to ASX no later than 7 days after the date of this Prospectus for official quotation of the Shares on the ASX under the code, "DXF".	Section 1.12														

Topic	Summary	More information
How do I apply for Shares under the Offer?	<p>All Application Forms must be completed in accordance with the instructions accompanying the Application Form and must be accompanied by a cheque in Australian dollars for the full amount of the application being \$0.60 per Share.</p> <p>Cheques must be made payable to “Ding Sheng Xin Finance Co. Limited – Subscription Account” and should be crossed “Not Negotiable”. Applications under the Offer must be for a minimum of 3,334 Shares (\$2,000.40).</p>	Section 1.2
When will I know if my application was successful?	Holding statements confirming allocations under the Offer will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 21 October 2015.	Section 1.15
Can I speak to a representative about the Offer?	Questions relating to the Offer and completion of Application Forms can be directed to the Company on +61 8 9389 3100.	Section 1.21
Key persons		
Who are the Company’s Directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> • Mr Guo Zhenhua – Managing Director and Chief Executive Officer; • Ms Tang Wenfeng – Executive Director and Chief Operating Officer; • Ms Chang Chen – Non-Executive Chairman; • Mr James Zhong – Non-Executive Director; and • Ms Kathy Yuan – Non-Executive Director. 	Section 7.2
Who comprises the senior management team of the Company?	<p>The Company’s senior management team is comprised of:</p> <ul style="list-style-type: none"> • Mr Guo Zhenhua – Managing Director and Chief Executive Officer; • Ms Tang Wenfeng – Executive Director and Chief Operating Officer; • Mr Zhang Hu – Chief Financial Officer; and • Mr Deng Wei – General Manager. 	Section 7.5
What are the significant interests of the Directors?	<p>Upon the Company listing on the ASX, the Directors will be remunerated as follows:</p> <ul style="list-style-type: none"> • as Managing Director and Chief Executive Officer, Mr Guo Zhenhua will be paid \$70,000 per annum plus statutory superannuation; • as Executive Director and Chief Operating Officer, Ms Tang Wenfeng will be paid \$50,000 per annum plus statutory superannuation; • as Non-Executive Chairman, Ms Chang Chen will receive directors’ fees of \$20,000 per annum plus statutory superannuation; and • as Non-Executive Directors, Mr James Zhong and Ms Kathy Yuan will each receive directors’ fees of \$20,000 per annum plus statutory superannuation. <p>More information on the security holdings, interests and remuneration of the Directors is set out in Section 7.6.</p>	Section 7.6

Topic	Summary	More information
What material contracts is the Company a party to?	<p>The material contracts of the Company include:</p> <ul style="list-style-type: none"> the employment agreement with its Managing Director and Chief Executive Officer, Mr Guo Zhenhua; the employment agreement with its Executive Director and Chief Operating Officer, Ms Tang Wenfeng; various guarantee and security contracts entered into in the usual course of business; deeds of access, indemnity and insurance for each Director; and escrow agreements to be entered into prior to listing. 	Section 8
Will any Shares be subject to escrow?	<p>If mandatory escrow applies, approximately 96.8% (assuming Minimum Subscription) or 90.9% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 12 or 24 months.</p> <p>If mandatory escrow does not apply, approximately 62.6% (assuming Minimum Subscription) or 58.8% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 24 months.</p>	Section 1.7
Will the Company pay dividends?	<p>The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.</p> <p>The Company is not likely to be subject to any Australian tax that will allow it to generate franking credits. Please see the Taxation Report at Section 10 for further details.</p>	Sections 1.20 and 10
What are the tax implications of investing in Shares under the Offer?	<p>The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. Investors should obtain their own tax advice before deciding to invest.</p> <p>Investors are also referred to the Taxation Report included in Section 10.</p>	Sections 9.9 and 10

1. DETAILS OF THE OFFER

1.1 OVERVIEW

Under this Prospectus, the Company is offering up to 50,000,000 Shares at an issue price of \$0.60 each to raise up to \$30,000,000 before costs (**Offer**). The Offer has a minimum subscription requirement of \$10,000,000. There is no allowance for oversubscriptions.

The Offer is open to the general public however non-Australian resident investors should consider the statements and restrictions set out in Sections 1.10 and 9.10 before applying for Shares.

The Shares to be issued under the Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in Section 9.1.

Applications for Shares must be made on the Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 1.2 and the Application Form for further details and instructions.

1.2 APPLICATIONS AND PAYMENT

Applications for Shares under the Offer can only be made using the Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications under the Offer must be for a minimum of 3,334 Shares (\$2,000.40). No brokerage, stamp duty or other costs are payable by applicants. Cheques must be made payable to "Ding Sheng Xin Finance Co. Limited – Subscription Account" and should be crossed "Not Negotiable". All Application Monies will be paid into a trust account.

Completed Application Forms and accompanying cheques must be received by the Company before 5.00pm WST on the Closing Date by being posted to the following address:

Ding Sheng Xin Finance Co. Limited
C/- Computershare Investor Service Pty Limited
GPO Box 52
Melbourne Vic 3001

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Board's decision as to whether to treat an application as valid and how to construe, amend or complete the Application Form is final however an applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque accompanying the Application Form.

It is the responsibility of applicants outside Australia to obtain all necessary approvals in order to be issued Shares under the Offer. The return of an Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all necessary approvals have been obtained, or that the applicant is otherwise eligible to apply for and receive Shares under the Offer for the purposes of all applicable securities laws.

1.3 MINIMUM SUBSCRIPTION

The minimum subscription requirement for the Offer is \$10,000,000, representing the subscription of 16,666,667 Shares at an issue price of \$0.60 each (**Minimum Subscription**). No Shares will be issued until the Offer has reached the Minimum Subscription. If the Minimum Subscription has not been achieved within 4 months of the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act.

1.4 PURPOSES OF THE OFFER

The principal purposes of the Offer are to:

- (a) comply with ASX's requirements for listing the Company on the ASX;
- (b) enhance the public and financial profile of the Company to facilitate further growth of the Company's business;
- (c) provide funds for the purposes set out in Section 1.5;
- (d) increase the Company's level of net assets to increase its capacity to provide financing guarantee services (see Section 2.4.2 for further information); and
- (e) provide the Company with access to equity capital markets for future funding needs.

1.5 PROPOSED USE OF FUNDS

The Company intends to use the funds raised under the Offer as follows:

Use of funds	Minimum Subscription		Mid Subscription		Full Subscription	
	Amount	%	Amount	%	Amount	%
Expenses of the Offer ¹	\$951,823	9.5%	\$955,823	4.8%	\$959,823	3.2%
Opening new branches in the PRC ²	\$6,500,000	65%	\$14,000,000	70%	\$21,500,000	71.7%
Marketing and promotion ³	\$1,000,000	10%	\$2,000,000	10%	\$3,000,000	10%
General working capital ⁴	\$1,548,177	15.5%	\$3,044,177	15.2%	\$4,540,177	15.1%
Total	\$10,000,000	100%	\$20,000,000	100%	\$30,000,000	100%

Notes:

1. Additional expenses of the Offer have been paid using the Company's existing cash reserves (see Section 9.6 for more information). Further, The Company reserves the right to pay a capital raising fee of up to 5% (excl. GST) of amounts subscribed to any licenced securities dealer or Australian Financial Services licensee who has procured investment under the Offer. For example, if such brokers procure investment equal to the:
 - Minimum Subscription, then \$500,000 will be payable in capital raising fees;
 - Mid Subscription, then \$1,000,000 will be payable in capital raising fees; or
 - Full Subscription, then \$1,500,000 will be payable in capital raising fees.In these circumstances, the expenses of the Offer will increase by the amount of the capital raising fees, and general working capital will reduce by the same amount.
2. After listing, the Company intends to open new branches throughout the PRC and has already obtained regulatory approval to establish branches in the provinces of Guangxi, Hebei, Henan, Hubei, Hunan, Sichuan and Jiangsu. Each branch costs approximately RMB 5,000,000 to RMB 10,000,000 (approximately A\$1,080,614 to A\$2,161,228) to establish. See Section 3.8.2 for further information.
3. The Company intends to continue its marketing and promotional activities which include on-site marketing campaigns, sales campaigns, product advertisements and telemarketing. The Company will also increase its internet advertising, and implement advertising campaigns in the cities in which the Company establishes new branches. See Section 3.8.3 for further information.
4. Working capital may include payments to creditors under a guarantee in the event of customer default, cash deposits on behalf of customers, wages, payments to contractors, rent and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with any project such as the establishment of new branches, as determined by the Board at the relevant time.
5. If the proceeds from the Offer are between the Minimum Subscription and the Mid Subscription, or the Mid Subscription and the Full Subscription, the Company intends to allocate the funds between each item on a pro-rata basis.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including, but not limited to, the performance of newly established branches, the results of marketing and promotion programs, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

If the Full Subscription is not raised then this may have an effect on the rate at which any expansion plans are undertaken by the Company. Additional funding may be considered by the Board where it is appropriate to accelerate a specific project such as the establishment of new branches.

If the Company decides to make any significant acquisitions such as competitor business or other assets, then it is possible that such acquisitions would be funded by additional financing through debt and/or equity (subject to any necessary Shareholder approvals).

The Board is satisfied that upon completion of the Offer, the Company will have sufficient capital to meet its stated objectives.

1.6 CAPITAL STRUCTURE

The table below provides a summary of the capital structure of the Company at the date of this Prospectus and upon completion of the Offer.

Capital structure	Minimum Subscription		Mid Subscription		Full Subscription	
	Number	%	Number	%	Number	%
Shares currently on issue	500,000,000	96.8%	500,000,000	93.7%	500,000,000	90.9%
Shares issued under the Offer	16,666,667	3.2%	33,333,333	6.2%	50,000,000	9.1%
Total Shares on completion¹	516,666,667	100%	533,333,333	100%	550,000,000	100%

Notes:

1. A substantial portion of the Shares on issue at the date of this Prospectus will be subject to escrow. Please refer to Section 1.7 for further details.
2. The Company has no other securities on issue.

1.7 ESCROW ARRANGEMENTS

Under the Listing Rules, ASX may determine that securities issued to promoters, seed capital investors and vendors of classified assets have escrow restrictions placed on them. Such securities may be required to be held in escrow for up to 24 months during which time they must not be transferred, assigned or otherwise disposed of. If ASX imposes mandatory escrow under the Listing Rules, the Company expects that all 500,000,000 Shares on issue at the date of this Prospectus will be subject to escrow as set out in the table below.

Shareholder ¹	Shares	Escrow period ²	% of total Shares		
			Minimum Subscription	Mid Subscription	Full Subscription
Grandeur Times Limited ³	211,100,000	24 months	40.9%	39.6%	38.4%
Next Triumph Limited ⁴	112,250,000	24 months	21.7%	21%	20.4%
Red Fountain Developments Limited	22,750,000	12 months	4.4%	4.3%	4.1%
Majestic Dragon Limited	13,600,000	12 months	2.6%	2.5%	2.5%
Captain Choice Limited	9,100,000	12 months	1.8%	1.7%	1.6%
Opulent Tycoon International Limited	9,100,000	12 months	1.8%	1.7%	1.6%
The Water Holding Limited	13,600,000	12 months	2.6%	2.5%	2.5%
Prestige Goal Holdings Limited	8,600,000	12 months	1.7%	1.6%	1.6%
Copious Harvest Limited	22,750,000	12 months	4.4%	4.3%	4.1%
Speedy Sharp Ventures Limited	22,750,000	12 months	4.4%	4.3%	4.1%
Spacious City Limited	22,750,000	12 months	4.4%	4.3%	4.1%
De Investment Holdings Limited	15,000,000	12 months	2.9%	2.8%	2.7%
Ace Blossom Holdings Pty Ltd	6,650,000	12 months	1.3%	1.2%	1.2%
He Xuan	10,000,000	12 months	1.9%	1.9%	1.8%
Total	500,000,000		96.8%	93.7%	90.9%

Notes:

1. Other than Grandeur Times Limited and Next Triumph Limited, no other existing Shareholder is a related party or promoter of the Company for the purposes of the Listing Rules.
2. Escrow periods of 24 months will commence from the date of quotation of the Company's Shares, whereas escrow periods of 12 months commence from the date those Shares were issued, being 28 July 2015.
3. Grandeur Times Limited is 100% owned by Managing Director and Chief Executive Officer, Mr Guo Zhenhua.
4. Next Triumph Limited is 100% owned by Executive Director and Chief Operating Officer, Ms Tang Wenfeng.

If ASX determines that mandatory escrow applies to some or all of the existing Shares then, prior to listing, the Company will enter into escrow agreements with the existing Shareholders in relation to those Shares in accordance with the Listing Rules.

If ASX does not impose mandatory escrow on the Company's Shares then, prior to listing, the Company will instead enter into voluntary escrow agreements with its 2 major Shareholders, Grandeur Times Limited and Next Triumph Limited, as set out in the table below. The escrow agreements will be on the same terms as ASX's standard terms set out in Appendix 9A of the Listing Rules.

Shareholder	Shares	Escrow period ¹	% of total Shares		
			Minimum Subscription	Mid Subscription	Full Subscription
Grandeur Times Limited ²	211,100,000	24 months	40.9%	39.6%	38.4%
Next Triumph Limited ³	112,250,000	24 months	21.7%	21%	20.4%
Total	323,350,000		62.6%	60.6%	58.8%

Notes:

1. The escrow period will commence from the date of quotation of the Company's Shares.
2. Grandeur Times Limited is 100% owned by Managing Director and Chief Executive Officer, Mr Guo Zhenhua.
3. Next Triumph Limited is 100% owned by Executive Director and Chief Operating Officer, Ms Tang Wenfeng.

1.8 CAPITAL RAISING FEES

The Company reserves the right to pay a fee of up to 5% (excl. GST) of amounts subscribed to any licensed securities dealer or Australian Financial Services licensee who has procured investment under the Offer. Payments will be subject to the receipt of a valid tax invoice from the licensed securities dealer or Australian Financial Services licensee.

1.9 UNDERWRITING

The Offer is not underwritten.

1.10 FOREIGN INVESTOR RESTRICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained. See Section 9.10, for information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia.

1.11 RISK FACTORS

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 6 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

1.12 ASX LISTING AND QUOTATION

The Company will apply to ASX no later than 7 days from the date of this Prospectus for admission of the Company to the official list of ASX, and official quotation of the Shares offered under the Offer. If the Shares are not admitted to quotation within 3 months of the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant admission of the Company to the official list and official quotation of the Shares being offered is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

1.13 EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by ASIC by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this

Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. During the Exposure Period, this Prospectus can be viewed online on the Company's website at www.dsxfinance.com.au, and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all such applications will be treated as if they were simultaneously received on the Opening Date.

1.14 APPLICATION MONIES HELD IN TRUST

All Application Monies will be held in a separate subscription account on behalf of applicants until the Shares are issued pursuant to the Offer. If the Minimum Subscription is not achieved within a period of 4 months of the date of this Prospectus, all Application Monies will be refunded in full without interest, and no Shares will be issued under the Offer. Any interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

1.15 ALLOCATION AND ISSUE OF SHARES

The Board reserves the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. Holding statements will be sent to successful applicants as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

1.16 CHESS AND ISSUER SPONSORSHIP

The Company will apply to CHESS. All trading on the ASX in existing Shares will be settled through CHESS. ASX Settlement, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The 2 sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company does not issue certificates to Shareholders. Rather, holding statements (similar to bank statements) will be sent to Shareholders as soon as practicable after Shares are issued. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of existing Shares (where applicable) and the number of new Shares issued under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder at the end of each month in which there is a transaction on their holding, as required by the Listing Rules.

1.17 PRIVACY DISCLOSURE

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific shareholders can be obtained by that shareholder through contacting the Company on +61 8 9389 3100, or the Share Registry, Computershare Investor Services, on 1300 850 505 (within Australian) or +61 3 9415 4000.

1.18 ELECTRONIC PROSPECTUS

In addition to issuing this Prospectus in printed form, a read-only version of this Prospectus is also available on the Company's website, www.dsxfinance.com.au. There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment

in the Company must be an Australian resident and must only access this Prospectus from within Australia. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus. See Section 9.7 for further information.

1.19 FINANCIAL FORECASTS

After considering ASIC Regulatory Guide 170, the Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus. In reaching this decision, the Directors have had regard to various issues including the significant recent growth of the Company, the future expansion plans of the Company and the uncertainty about future economic conditions in the PRC and globally.

1.20 DIVIDENDS

The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.

Under PRC laws, each PRC Subsidiary is required to transfer 10% of its profit after tax to a statutory reserve until the surplus reserve balance reaches 50% of its registered capital. For the purposes of calculating the transfer to this reserve, the profit after tax will be the amount determined under Chinese accounting standards. The ability of a PRC Subsidiary to pay dividends is also subject to regulations in the PRC. See Section 6.2.4 for further information.

The Company is unlikely to be subject to any Australian tax that will allow it to generate franking credits. Please see the Taxation Report at Section 10 for further information.

1.21 ENQUIRIES

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offer and completion of Application Forms can be directed to the Company on +61 8 9389 3100.

2. INDUSTRY OVERVIEW

The Company's wholly owned subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd, is the operating entity of the Group. It was incorporated in 2005 and has since become an established provider of financing and non-financing guarantee services in the PRC. The Company has 11 branches operating throughout the PRC, of which 8 are based in Guizhou Province where the Company is headquartered. Further information on the Company and its business can be found in Section 3.

The information contained in this Section 2 relating to the guarantee services industry in the PRC and, in particular, Guizhou Province is based on information contained in a market research report prepared by Respect Marketing Research Inc. (**RMR**). RMR has consented to the inclusion of this information in this Prospectus on the condition that, to the maximum extent permitted by law, RMR disclaims and excludes any and all liability (whether arising in contract, tort or otherwise) for any loss of any nature suffered by any party as a direct or indirect result of any error in or omission from the information, as a direct or indirect result of the use of any of the information or of making any investment decision, or refraining from making any decision, in reliance or based wholly or partly on any data, expression of opinion, statement or other information or data contained in the information.

The information contained in this Section 2 reflects estimates of market conditions based on publicly available sources and trade opinion surveys. The Directors believe that the sources of information contained in this Section 2 are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

2.1 OVERVIEW OF THE GUARANTEE SERVICES INDUSTRY

The guarantee services industry in the PRC is still relatively young with the first guarantee company having been officially approved by the State Council in 1993. The industry has since grown with the expansion of the Chinese economy and, in particular, the increased importance of small and medium enterprises (**SMEs**) to the Chinese economy.

Often SMEs in the PRC have less access to finance from banks due to their smaller size and being perceived as higher risk. Further, SMEs generally lack the level of collateral required by banks to secure loan repayments. Guarantee companies have helped to address the gap between the requirements of banks and the financial needs of businesses by stepping in and guaranteeing the obligations of the borrowing business. In doing so, SMEs have been able to grow and become a vital cog in the Chinese economy.

The majority of guarantee companies in the PRC offer both financing and non-financing guarantee services, with financing guarantee services typically dominating their operations. Whilst the non-financing guarantee segment is much smaller than the financing guarantee segment, the Company considers that it has strong growth potential as a more junior market.

2.1.1 FINANCING GUARANTEE SERVICES

In providing a financing guarantee service, the guarantee company acts as an intermediary between borrowers and financial institutions such as banks. Typically, the financing guarantee company will enter into an agreement with the borrower under which it guarantees the borrower's repayment obligations to the lender and assumes the obligations of the borrower in the event that the borrower defaults. In return, the guarantee company will charge the borrower a fee – usually based on the total amount being guaranteed. Through this process, financing guarantee companies are able to facilitate greater access to funds for SMEs and individuals.

Common types of loans which may require financing guarantee assistance include where a business wishes to borrow funds to address a lack of cash flow or to purchase assets, or where an individual requires a loan to pay for education or consumer goods.

2.1.2 NON-FINANCING GUARANTEE SERVICES

Non-financing guarantee services are distinguished from financing guarantee services on the basis that they are guarantees for obligations other than the repayment of loans or other forms of debt finance. Instead, the guarantee company acts as an intermediary between 2 or more parties in relation to an agreement or arrangement that is not of a loan or debt financing nature. Typically, the guarantee company will guarantee one party's obligations to the other party and, in return, the guarantee company will charge its customer a fee.

A 'performance guarantee' is common form of non-financing guarantee arrangement whereby the guarantee company guarantees the performance of a party's obligations under a contract, such as the payment of money or the supply of goods by a certain date.

Another example is what is known as a 'litigation guarantee' whereby the guarantee company guarantees its customer's obligation to compensate the court for any loss the court incurs as a result of freezing the counterparty's assets in a litigation matter. The freezing of a counterparty's assets is a procedural requirement for certain litigation matters in the PRC.

2.2 ECONOMIC ENVIRONMENT

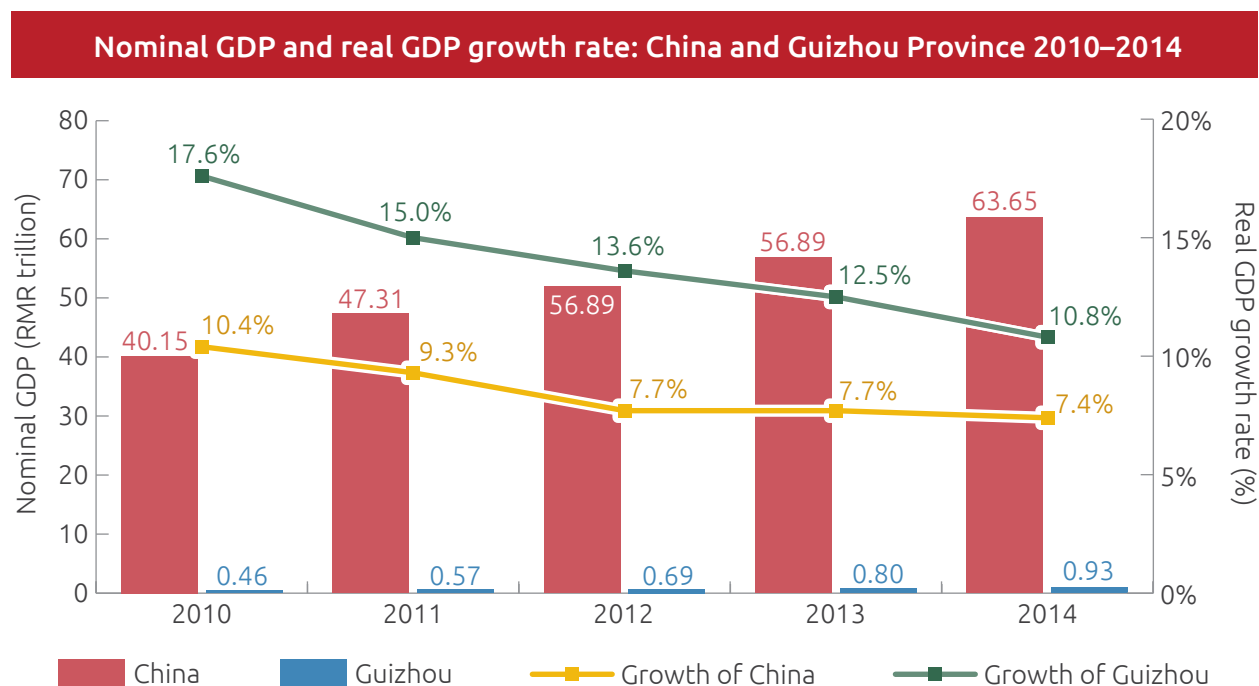
Demand for guarantee services in the PRC is influenced by economic conditions including economic growth, the level of investment in fixed assets, the property market and urbanisation.

2.2.1 ECONOMIC GROWTH

Guarantee companies benefit from times of strong economic growth as businesses are more likely to borrow funds to invest and grow, and individuals are more likely to borrow to increase consumption. Guarantee companies can facilitate such borrowing by providing lenders with the guarantee they require to loan funds to a borrower. The size of an economy is typically measured by its gross domestic product (GDP).

While the Chinese economy has been growing, its growth has slowed in recent years with real GDP growth falling from 7.7% in 2012 and 2013, to 7.4% in 2014. In 2014, Chinese GDP totaled approximately RMB 63.65 trillion (approximately A\$13.76 trillion), up from RMB 56.9 trillion (approximately A\$12.3 trillion) in 2013.

Similarly, Guizhou Province's economy has been growing, albeit at a slower rate. GDP for the province was RMB 800.68 billion (approximately A\$173.05 billion) in 2013, representing a 12.5% increase on the previous year. In 2014, Guizhou Province's GDP was RMB 925.1 billion (approximately A\$199.94 billion), representing a 10.8% increase in real terms on the previous year. Guizhou Province ranked second in the PRC for GDP growth in 2014 and has ranked in the top 3 amongst provinces in the PRC from 2011 to 2014.



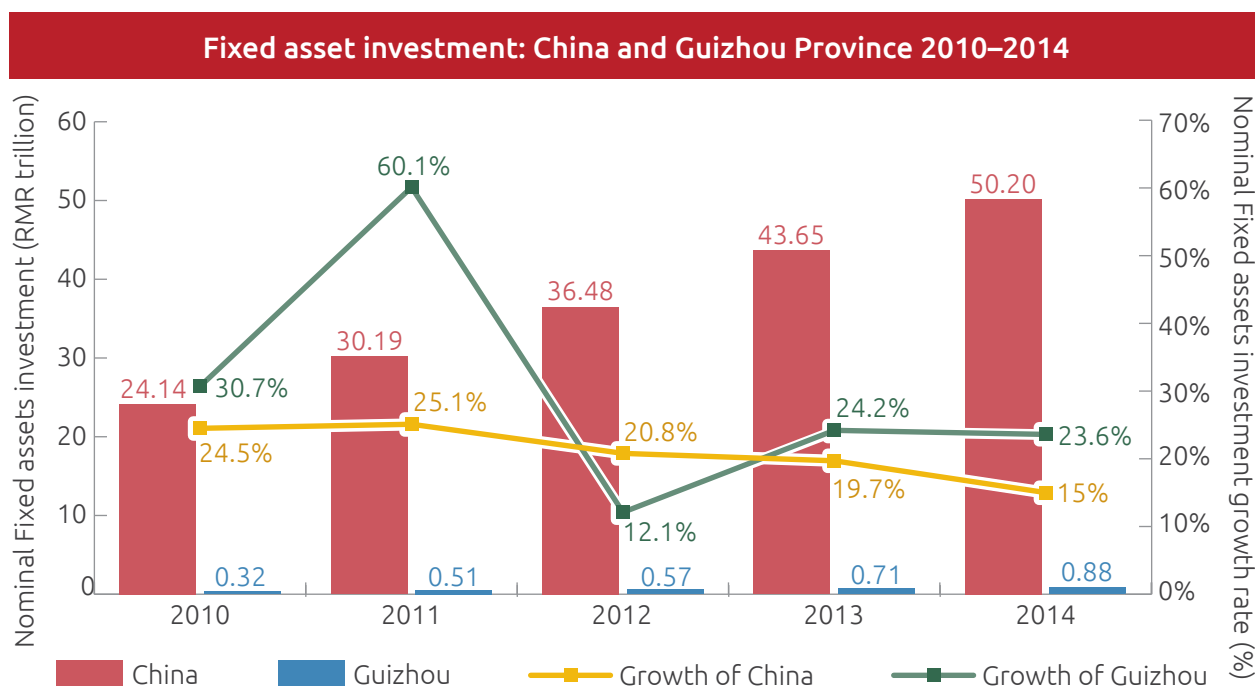
Source: National Bureau of Statistics of China; Guizhou Bureau of Statistics

2.2.2 INVESTMENT IN FIXED ASSETS

Fixed asset investment includes the manufacture, construction and purchase of fixed assets. Businesses are often required to borrow funds in order to fund investment in fixed assets, and therefore the level of fixed asset investment affects the demand for guarantee services.

In 2013, investment in fixed assets in the PRC reached RMB 43.65 trillion (approximately A\$9.43 trillion), representing an increase of 19.3% from 2012. In 2014, investment in fixed assets was RMB 50.2 trillion (approximately A\$10.85 trillion) representing an increase of 15.7% from 2013.

Fixed asset investment in Guizhou Province was RMB 710.28 billion (approximately A\$153.51 billion) in 2013, an increase of 24.2% on the previous year. In 2014, total fixed assets investment in Guizhou Province reached RMB 877.840 billion (approximately A\$189.72 billion) which represented an increase of 23.6% from 2013.



Source: National Bureau of Statistics of China; Guizhou Bureau of Statistics

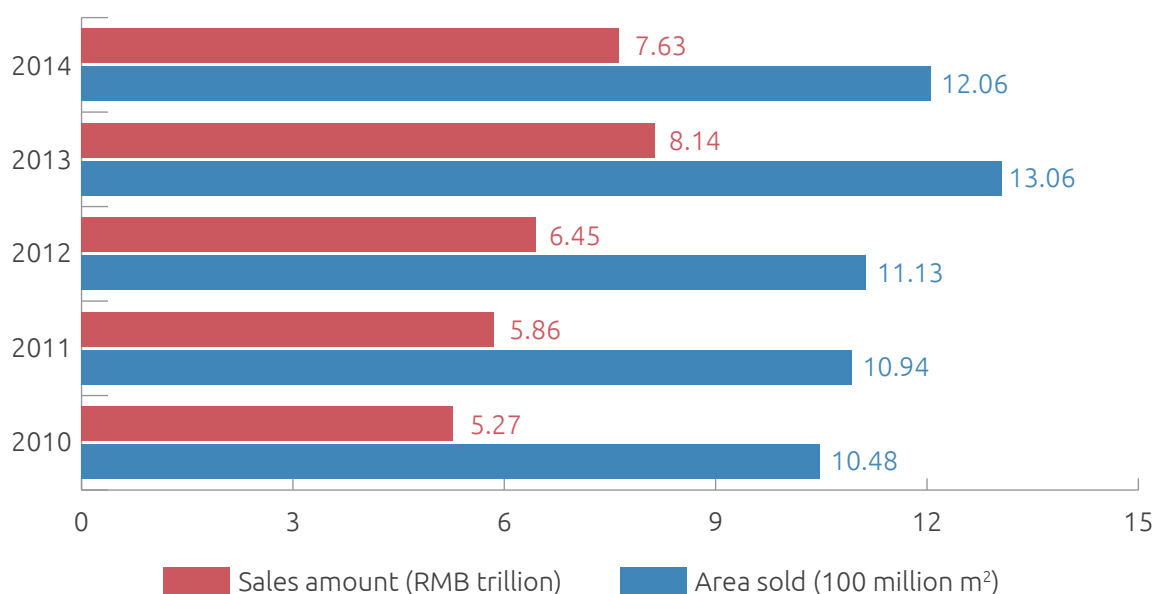
2.2.3 PROPERTY MARKET

The property market has an important influence on the guarantee services industry in the PRC as real property is often used as collateral to secure a customer's obligations. If the value of the property falls then the guarantee company is more exposed to risk in the event the customer defaults.

Further, a downturn in the property market may prompt banks to call in debts, which may in turn result in higher rates of default by borrowers. Increased instances of default means additional payouts by the guarantee company, and the guarantee company may not be able to recover these losses from the customer.

In 2013, the area of commercial housing sold in the PRC reached 13.06 trillion square metres, an increase of 17.3% on 2012 figures. The aggregate sales value for 2013 was RMB 8.14 trillion (approximately A\$1.76 trillion), which was an increase of 26.3% on the previous year. In 2014, the property market contracted, with 12.06 trillion square metres of commercial housing being sold (a drop of 7.6%) at an aggregate sales value of RMB 7.63 trillion (a drop of 6.3%), and a price per square metre of RMB 6,323 (approximately A\$1,367).

Real property sold by amount and area: China 2010–2014

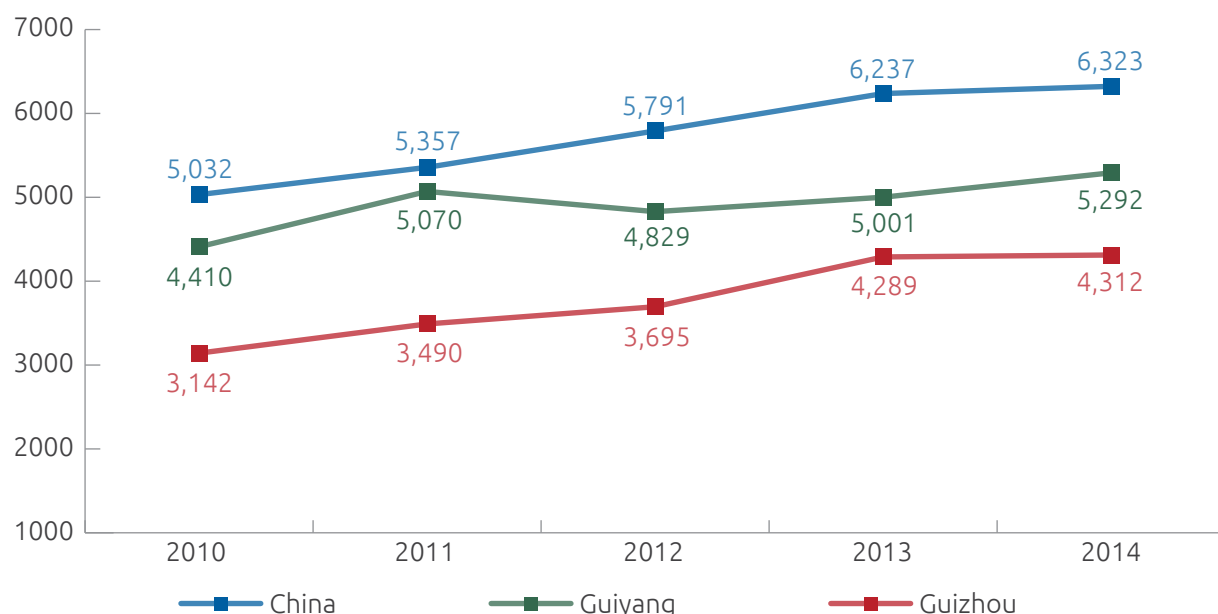


Source: National Bureau of Statistics of China

In 2013, the area of commercial housing sold in Guizhou Province reached 29.72 million square metres, an increase of 35.9% on 2012 figures. The aggregate sales value for 2013 was RMB 127.6 billion (approximately A\$27.58 billion), which was an increase of 41.8% on the previous year. In 2014, 31.78 million square metres of commercial housing was sold (a rise of 6.9%) at an aggregate sales value of RMB 137 billion (approximately A\$29.61 billion) (a rise of 7.3%), and a price per square metre of RMB 4,312 (approximately A\$932).

In 2013, the area of commercial housing sold in Guiyang, the capital city of Guizhou Province, was 8.731 million square metres and the aggregate sales amount was RMB 41.633 billion (approximately A\$9 billion). In 2014, the average selling price of commercial housing in Guiyang was RMB 5,292 (approximately A\$1,144) per square metre.

Real property sold by RMB/m²: China, Guizhou Province and Guiyang 2010–2014



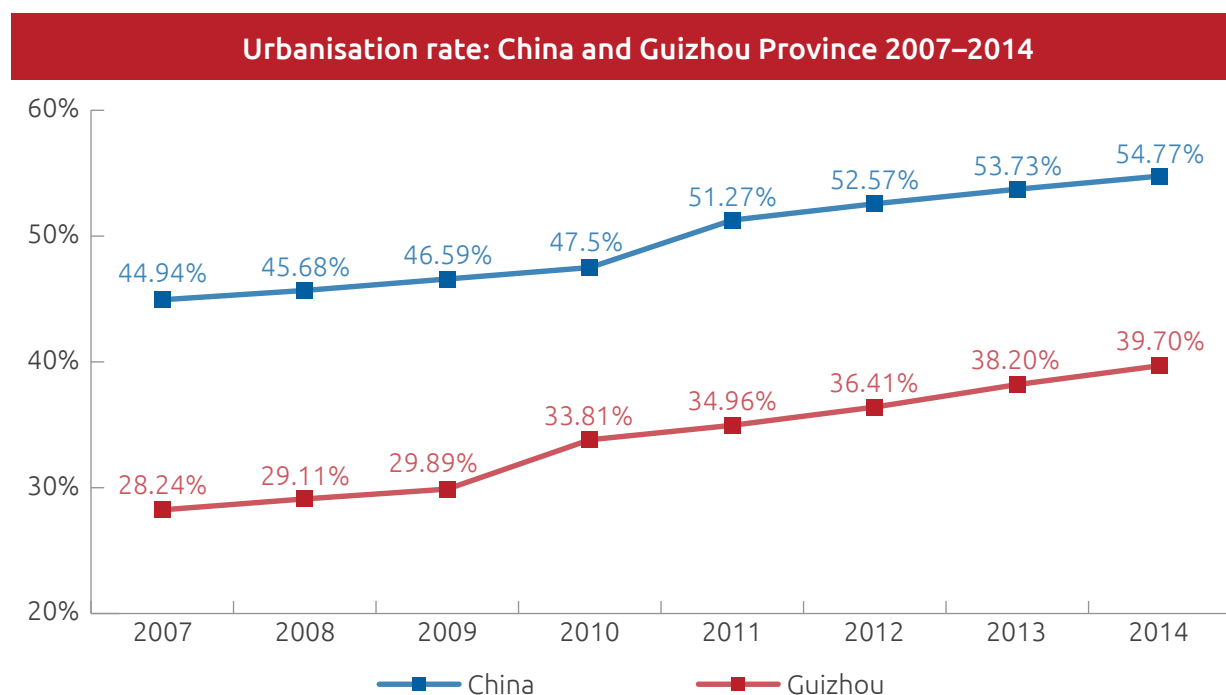
Source: National Bureau of Statistics of China

2.2.4 URBANISATION

Urbanisation refers to the migration of people from rural areas to urban areas. Urbanisation creates demand for funds to develop urban infrastructure, public services and real estate. To finance such investment, businesses are often required to borrow funds from lending institutions. As a result, urbanisation can lead to increased demand for guarantee services.

In 2013, the urbanisation rate in the PRC was 53.73%, an increase of 1.16% from 2012. The urbanisation rate increased again in 2014, rising by 1.04% to 54.77%.

In 2013, the urbanisation rate in Guizhou Province reached 38.2%, a rise of 1.7% against the previous year, however still lower than the national level of 53.73%. In 2014, the urbanisation rate increased by 1.5% to 39.7%.

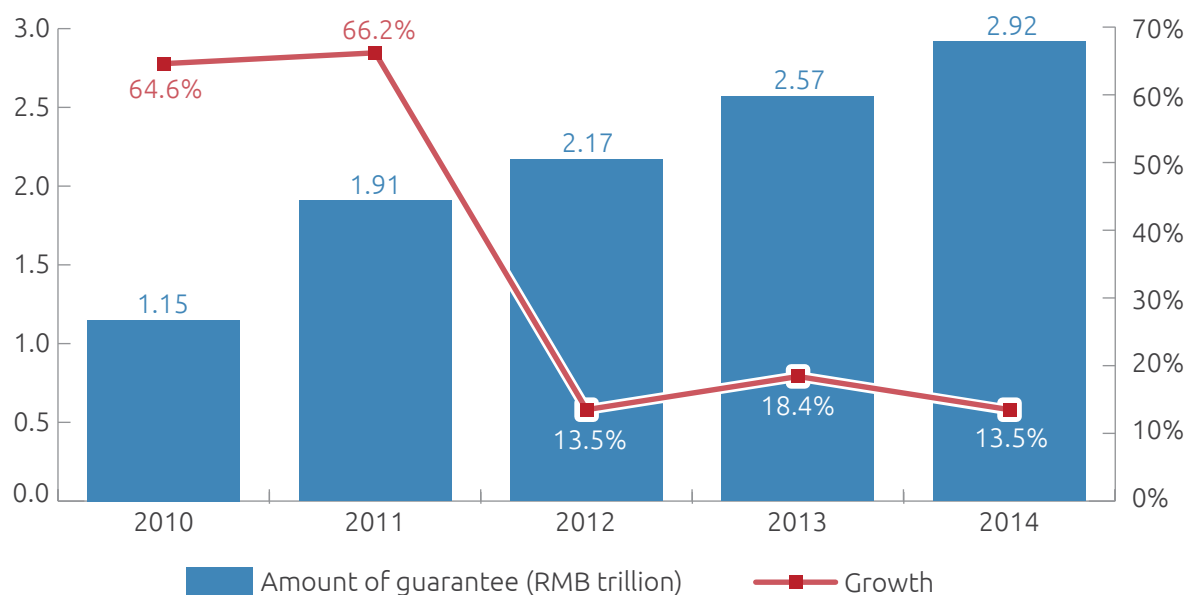


Source: National Bureau of Statistics of China; Guizhou Bureau of Statistics

2.3 INDUSTRY SIZE

The guarantee industry in the PRC experienced continuous growth from 2010 to 2014, albeit at fluctuating rates. The total guarantee balance (i.e. the aggregate value of obligations secured by financing and non-financing guarantees provided by guarantee companies) in the PRC grew from RMB 1.15 trillion (approximately A\$248.54 billion) in 2010 to RMB 2.92 trillion (approximately A\$631.08 billion) in 2014, representing a compound annual growth rate (**CAGR**) of 26.2% from 2010 to 2014.

Total guarantee balance: China 2010–2014



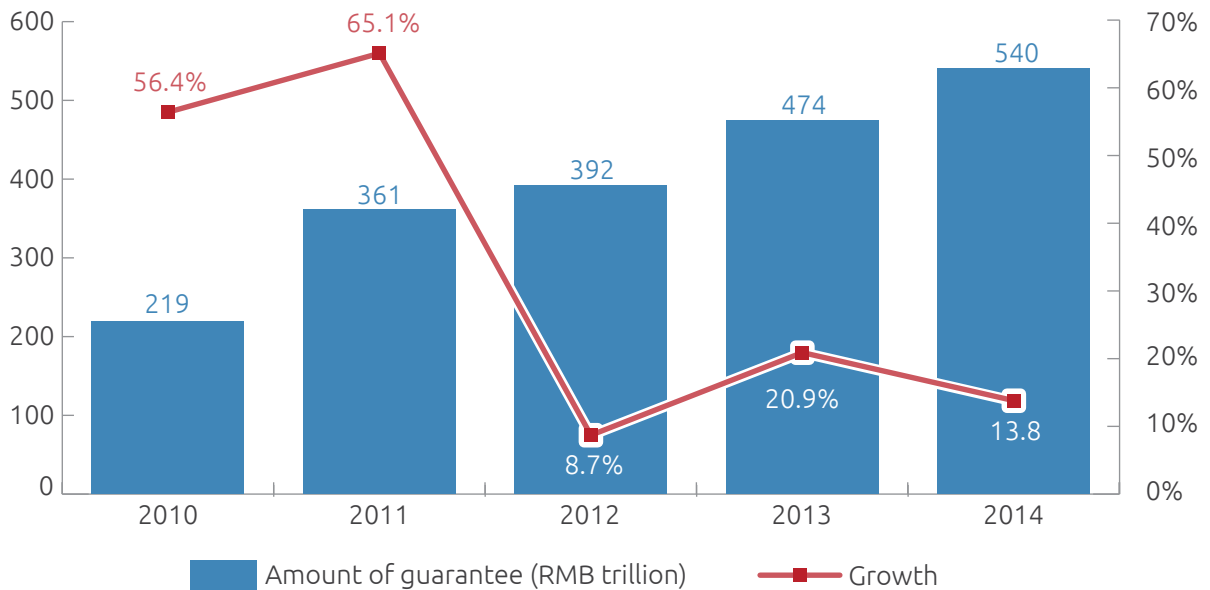
Source: China Banking Regulatory Commission; Inter-Ministerial Joint Meeting of Financing Guarantee Business Supervision Office

The fall in the growth rate in 2012 from 66.2% to 13.5% can largely be explained by the introduction of the Interim Measures in 2010 which set out the regulations governing the financing guarantee industry in the PRC (see Section 2.4 for further information). Guarantee companies which have been unable to comply with these regulations have gradually been forced out of the market, and minimum registered capital requirements have created a barrier for new entrants into the market.

Further, in recent years banks have tightened their policies with respect to which guarantee companies they will accept guarantees from. For example, most banks in the PRC require a guarantee company to have a Magnification which is less than 5 to 6 times the company's net assets. This is in contrast to the 10 times permitted under the Interim Measures (see Section 2.4.2 for further information). In addition, despite not being a legal requirement for non-financing guarantees, many banks will only engage with guarantee companies for non-financing guarantee services where the company has obtained the *Operation Permit for Financing Guarantee Organisations*.

Despite the introduction of regulations and the tightening policies of banks, total revenue generated by guarantee companies in the PRC grew from RMB 21.9 billion (approximately A\$4.73 billion) in 2010 to RMB 54 billion (approximately A\$11.67 billion) in 2014, representing a CAGR of 25.3%.

Total guarantee revenue: China 2010–2014

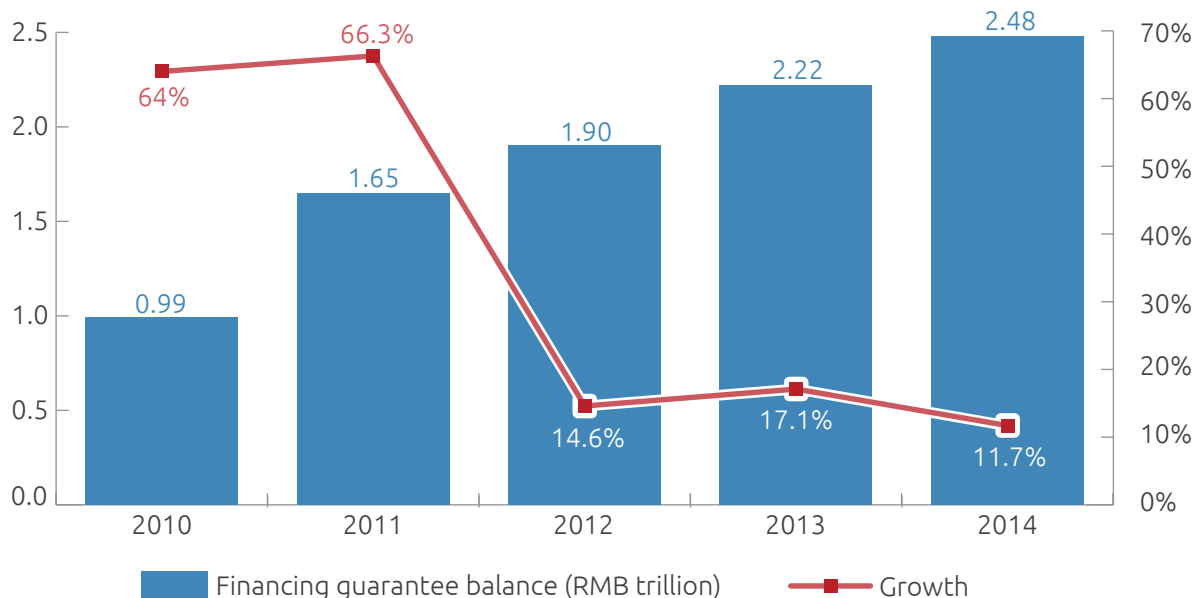


Source: China Banking Regulatory Commission; Inter-Ministerial Joint Meeting of Financing Guarantee Business Supervision Office

2.3.1 FINANCING GUARANTEE SERVICES

The financing guarantee balance (i.e. the aggregate amount of money secured by financing guarantees provided by guarantee companies) of financing guarantee companies in the PRC has continued to grow from 2010 to 2014, albeit at fluctuating rates. The total financing guarantee balance in the PRC grew from RMB 990 billion (approximately A\$213.96 billion) in 2010 to RMB 2.48 trillion (approximately A\$535.98 billion) in 2014, representing a CAGR of 33.1% during this period.

Total financing guarantee balance: China 2010–2014

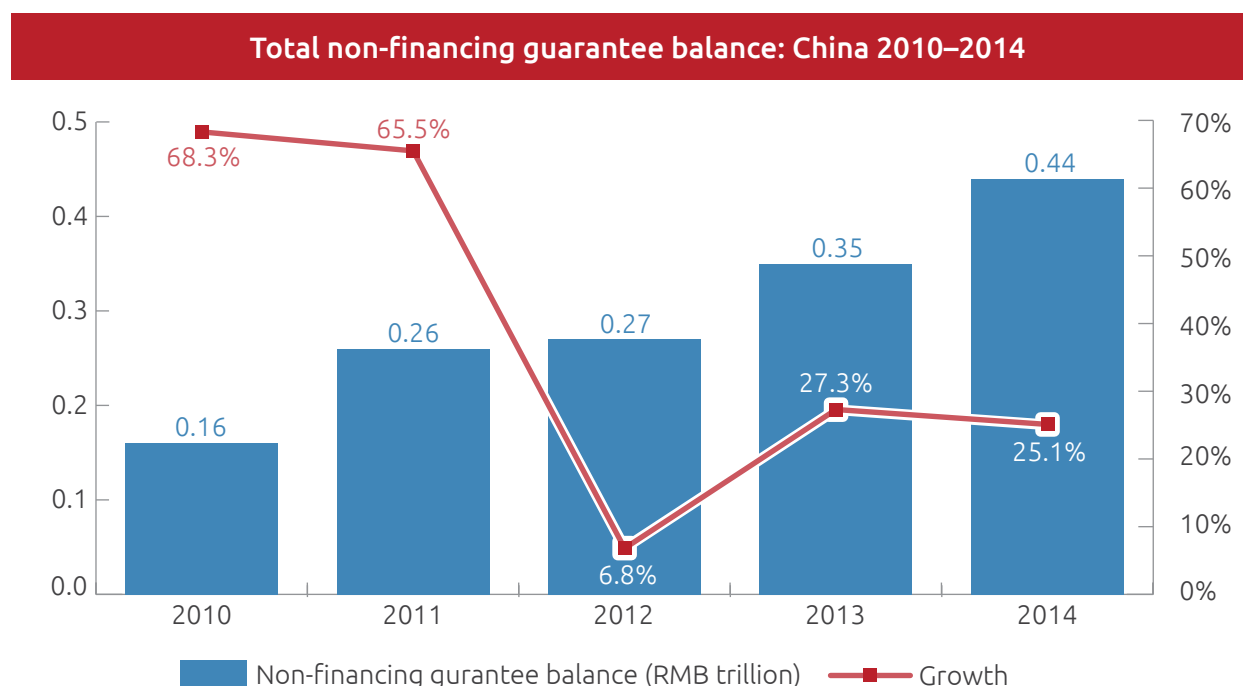


Source: China Banking Regulatory Commission; Inter-Ministerial Joint Meeting of Financing Guarantee Business Supervision Office; China Financing Guarantee Association

2.3.2 NON-FINANCING GUARANTEE SERVICES

Most guarantee companies in the PRC offer both financing and non-financing guarantee services, with financing guarantee services typically dominating their operations. Although currently much smaller than the financing guarantee industry, the Company considers that the non-financing guarantee industry has strong growth potential as a more junior market.

The total non-financing guarantee balance (i.e. the aggregate value of obligations secured by non-financing guarantees provided by guarantee companies) of guarantee companies in the PRC grew from RMB 160 billion (approximately A\$34.58 billion) in 2010 to RMB 440 billion (approximately A\$95.09 billion) in 2014, representing a CAGR for the period of 36.5%.



Source: China Banking Regulatory Commission; Inter-Ministerial Joint Meeting of Financing Guarantee Business Supervision Office; China Financing Guarantee Association

2.4 REGULATORY ENVIRONMENT AND MAGNIFICATION

2.4.1 INTERIM MEASURES

In 2010, the *Interim Measures for the Administration of Financing Guarantee Companies (Interim Measures)* were issued to implement and strengthen prudent regulation of financing guarantee companies in the PRC. Compliance with the Interim Measures is monitored jointly by the Chinese Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China and the State Administration for Industry and Commerce.

The Interim Measures regulate financing guarantee companies and the provision of financing guarantee services in the PRC. As a result, practices and norms across the financing guarantee industry have become standardised at a national level. In order to provide financing guarantee services the guarantee company must obtain the *Operation Permit for Financing Guarantee Organisations* from the relevant authority in its province. If a financing guarantee company wishes to provide non-financing guarantee services such as performance guarantee services, then it must obtain approval from the relevant authority in its province.

Financing guarantee companies must have a minimum level of registered capital of RMB 5 million which must be contributed in cash. Local regulations require a higher minimum level of registered capital in order for the guarantee company to operate in provinces outside its home province. For example, the local regulatory authority in Guizhou Province, the Commission of Economy and Information Technology of Guizhou Province, requires a guarantee company to have registered capital of at least RMB 100 million in order to conduct business across provinces. These minimum requirements therefore create a barrier to smaller companies wishing to enter the market or expand.

2.4.2 MAGNIFICATION

Another key restriction imposed by the Interim Measures on a financing guarantee company is that its financing guarantee balance (i.e. the aggregate amount of money secured by financing guarantees provided by the guarantee company) must not be more than 10 times its net assets. A guarantee company's financing guarantee balance divided by its net assets is referred to as its 'Magnification'.

Importantly, however, most banks in the PRC require a guarantee company to have a Magnification which is less than 5 to 6 times its net assets. The Company's Magnification at 31 December 2014 was 4.84, and is therefore nearing its limit. As discussed in Section 3.8.1, one of the key purposes of the Offer and listing on the ASX is for the Company to receive an injection of capital through the funds raised under the Offer, which will in turn lower the Company's Magnification and enable it to provide more financing guarantee services.

2.5 COMPETITIVE LANDSCAPE

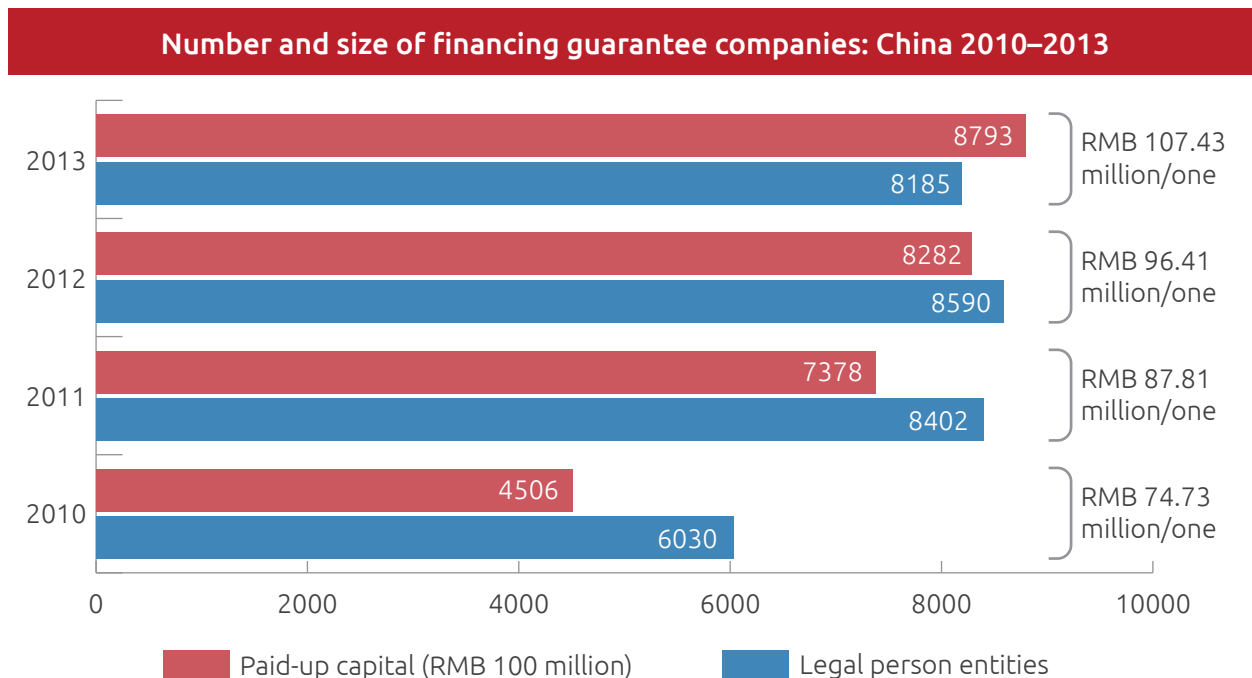
As discussed in Section 2.4.2, the Interim Measures restrict a guarantee company's capacity to guarantee finance at 10 times the company's net assets. Net assets refer to a company's assets minus its liabilities. On a company's balance sheet, net assets equal total equity. The registered or paid-up capital of a company represents the total amount of capital contributed to the company by its shareholders and appears as an equity item on the balance sheet.

Under the Interim Measures, the registered capital of a financing guarantee company must be contributed in cash rather than any other form of asset. Therefore, the amount of registered or paid-up capital on a financing guarantee company's balance sheet provides a strong indication of the financial strength and capacity of the company.

Although the Interim Measures permit financing guarantee companies to operate at a Magnification of up to 10 times net assets, banks are generally more restrictive in that they will only accept financing guarantees from guarantee companies with a Magnification no greater than 5 to 6 times their net assets.

In 2013, there were approximately 8,185 financing guarantee companies in the PRC which is a slight decrease on the previous 2 years. As discussed in Section 2.3, this decrease can be explained by the introduction of the Interim Measures and the tightening of bank policies with respect to guarantees.

The total paid-up capital of all financing guarantee companies in 2013 was RMB 879.3 billion (approximately A\$190.04 billion) at an average paid-up capital of RMB 107.43 million (approximately A\$23.22 million) for each financing guarantee company. The 2013 figures represent a 6.2% increase on 2012.



Source: China Banking Regulatory Commission; Inter-Ministerial Joint Meeting of Financing Guarantee Business Supervision Office

By the end of 2014, the top guarantee companies in the PRC by registered capital were Anhui Provincial Credit Guarantee Group Co., Ltd, China United SME Guarantee Corporation, China National Investment & Guaranty Co., Ltd, Hebei Financing Investment Guarantee Group Co., Ltd, Hanhua Guarantee Co., Ltd and Chongqing Sanxia Guarantee Group Co., Ltd. Anhui Provincial Credit Guarantee Group Co., Ltd had the highest level of registered capital at RMB 6.97 billion.

Top financing guarantee companies by registered capital: China 2014

No.	Company	Ownership	Registered capital (RMB 100 million)
1	Anhui Provincial Credit Guarantee Group Co., Ltd	State-owned	69.7
2	China United SME Guarantee Corporation	China-foreign JV	51.3
3	China National Investment & Guaranty Co., Ltd	Taiwan & Hong Kong & Macau - The Mainland China JV	45.0
4	Hebei Financing Investment Guarantee Group Co., Ltd	State-owned	42.0
5	Hanhua Guarantee Co., Ltd	Domestic investment and private	30.0
	Chongqing Sanxia Guarantee Group Co., Ltd	State-owned	30.0

Source: Respect Marketing Research Inc., 2015

The market concentration of the guarantee industry is relatively low, with the top 10 guarantee companies by guarantee balance accounting for approximately 15% of the aggregate guarantee balance across the industry in the PRC.

Top financing guarantee companies by guarantee balance: China 2013

No.	Company	Guarantee balance (RMB 100 million)	% of industry guarantee balance
1	China National Investment & Guaranty Co., Ltd	1,013	3.94%
2	Anhui Provincial Credit Guarantee Group Co., Ltd	676	2.63%
3	Chongqing Sanxia Guarantee Group Co., Ltd	559	2.18%
4	Beijing SMEs Credits Re-guarantee Co., Ltd	395	1.54%
5	Beijing Capital Investment & Guarantee Co., Ltd	245	0.95%
6	Hanhua Guarantee Co., Ltd	213	0.83%
7	Shenzhen Small&Medium Enterprises Credit Financing Guarantee Group Co., Ltd	211	0.82%
8	Shandong Re-guarantee Group Co., Ltd	188	0.73%
9	China Orienwise Holding Group Co., Ltd	180	0.70%
10	Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd	173	0.67%
	Other	21,847	85.01%

Source: Respect Marketing Research Inc., 2015

In 2013, there were 301 financing guarantee companies in Guizhou Province with a total guarantee balance of RMB 37.28 billion (approximately A\$8.06 billion) and an aggregate registered capital of RMB 18.82 billion (approximately A\$4.07 billion). In October 2014, there were 348 financing guarantee companies in Guizhou Province with a combined registered capital of RMB 29.279 billion (approximately A\$6.33 billion), at an average registered capital of RMB 84.84 million (approximately A\$18.34 million) each. These financing guarantees companies had a combined guarantee balance of RMB 47 billion (approximately A\$10.16 billion).¹

In 2014, the Company had the equal highest amount of registered capital amongst financing guarantee companies in Guizhou Province, with RMB 500 million (approximately A\$108.61 million).

¹ Financial Affairs Office of Guizhou Government.

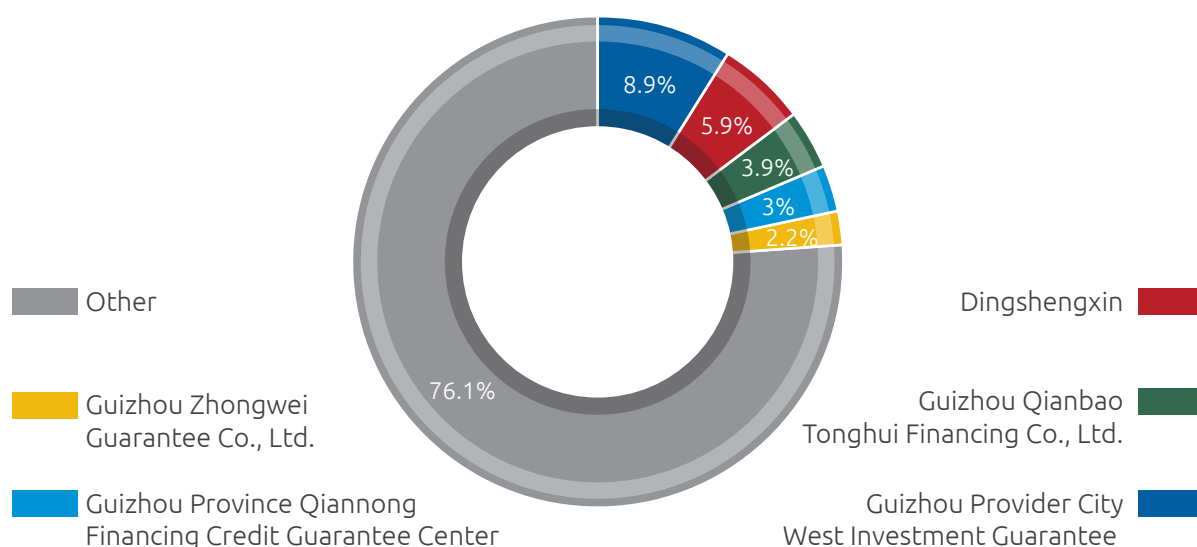
Top financing guarantee companies by registered capital: Guizhou Province 2014

No.	Company	Registered capital (RMB 100 million)
1	Ding Sheng Xin Guarantee Co., Ltd	5.0
	Guizhou Provider City West Investment Guarantee Corporation	5.0
2	Guizhou Qianbao Tonghui Financing Co., Ltd	3.6
3	Guizhou Wangcheng Financing & Guarantee Co., Ltd	3.0
4	Guizhou Yinyuan Financing Guarantee Co., Ltd	2.0
	Guizhou Lixing Yongfeng Investment Guarantee Co., Ltd	2.0
5	Guizhou Province Qiannong Financing Credit Guarantee Center	1.9
6	Guizhou Zhongjia Heli Financing Guarantee Co., Ltd	1.5
7	Guizhou Province Zhongwei SME Credit Guarantee Co., Ltd	1.3
8	Guizhou Baolifeng Financing Guarantee Co., Ltd	1.2

Source: Respect Marketing Research Inc., 2015

In 2013, the Company had a financing guarantee balance of RMB 2.21 billion (approximately A\$477.63 million), giving it the second highest balance amongst all financing guarantee companies in Guizhou Province, and a market share of 5.9% in Guizhou Province.

Market share of financing guarantee companies: Guizhou Province 2013

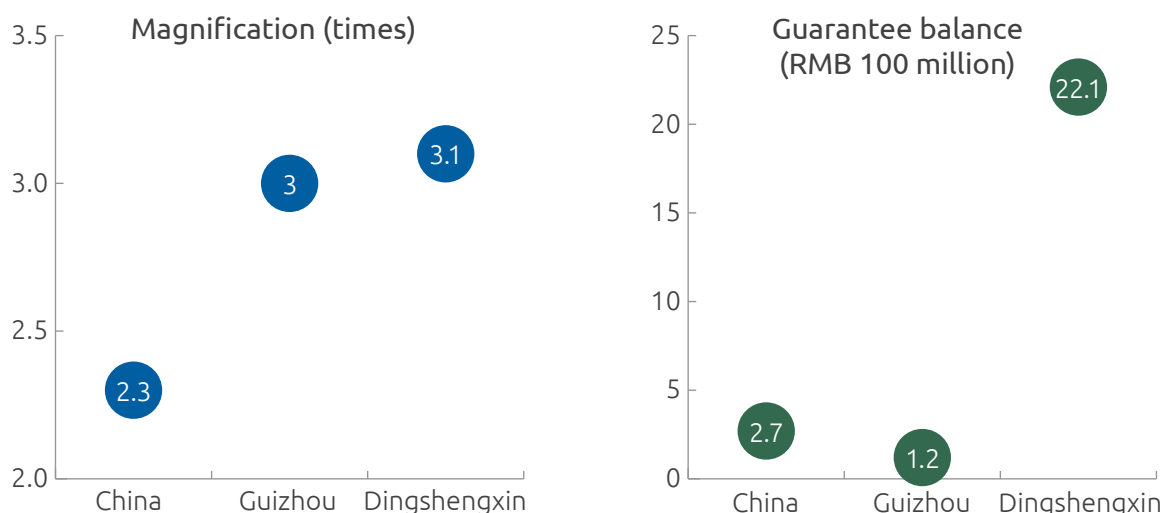


Source: Financial Affairs Office of Guizhou Province; Respect Marketing Research Inc., 2015

In 2013, the average Magnification of financing guarantee companies was 2.3 times net assets in the PRC, and 3 times net assets in Guizhou Province. At the same time, the Company's Magnification was 3.1 times net assets. As discussed in Section 2.4.2, financing guarantee companies are restricted to a maximum Magnification of 10 times net assets.

Furthermore, in 2013, the average financing guarantee balance was RMB 270 million (approximately A\$58.35 million) for guarantee companies in the PRC, and RMB 120 million (approximately A\$25.93 million) for guarantee companies in Guizhou Province. At the same time, the Company's guarantee balance was significantly higher than the industry average, at RMB 2.21 billion (approximately A\$477.63 million).

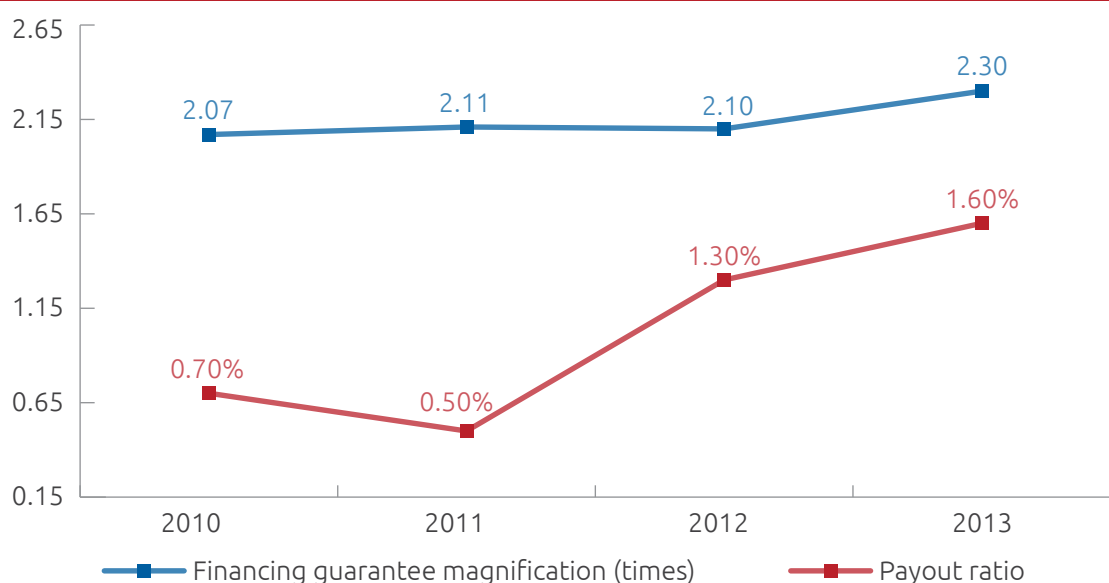
Comparison by Magnification and guarantee balance: China and Guizhou Province 2013



Source: Respect Marketing Research Inc., 2015

In 2013, the average Magnification in the PRC was 2.3 times net assets, slightly higher than the average in the previous 3 years (approximately 2.1 times). During the same period, the percentage of financing guarantees that guarantee companies were required to pay due to borrower default slightly increased from 0.7% to 1.6%.

Magnification and payout ratios: China 2009–2013



Source: China Banking Regulatory Commission

Despite increasing its Magnification from 3.1 in 2013 to 4.84 in 2014, the Company managed to reduce its payout ratio during the same period from 2.88% to 1.21%. The Board considers that this reflects the Company's strong ability to generate business and increase its guarantee balance without necessarily accepting higher risk customers.

2.6 INDUSTRY OUTLOOK

2.6.1 GROWTH OF SMES

In 2013, there were approximately 15.3 million enterprises in the PRC.² SMEs represented approximately 97% of these enterprises and nationally accounted for an estimated 60% of total GDP, 68% of total exports, 50% of total tax revenue and 80% of all jobs created.³ Therefore, SMEs play a vital role in the Chinese economy.

² State Administration for Industry and Commerce.

³ State Council.

Often banks in the PRC are reluctant to provide loans to SMEs due to their smaller size and their inability to provide appropriate collateral to support loan repayments. Guarantee companies can accept a broader range of assets as collateral for a loan or contractual obligation, such as real estate, machinery, equipment, inventory and accounts receivable, whereas banks will only accept certain types of collateral. SMEs are therefore highly reliant on guarantee companies for their growth.

The Company considers that the number of SMEs in the PRC will continue to grow which will in turn drive demand for guarantee services and create further growth in the guarantee services industry.

2.6.2 GOVERNMENT POLICY

Chinese governments at the local and national levels recognise the contribution of SMEs to the nation's economic prosperity and the important role that guarantee companies play in financing SMEs as well as individuals. Guarantee companies act as intermediaries between borrowers and lenders. The guarantee services that they provide not only reduce costs for lenders and mitigate their risks, but also reduce financing costs for borrowers and enhance their credit profile.

In doing so, guarantee companies have helped to realise economic and social benefits in the PRC. Accordingly, public measures have been introduced to support the guarantee services industry in the PRC. Examples of such measures include the following:⁴

- In 2009, the Ministry of Industry and Information Technology and the State Administration of Taxation issued the *Notice on Exempting of Business Tax for SME Credit Guarantee Institutions* exempting eligible non-profit enterprises from paying business tax.
- In 2012, the Ministry of Finance and the State Administration of Taxation issued the *Notice on Policy for Deducting Reserve Fund Before Paying Corporate Income Tax* which provides certain tax relief to eligible guarantee companies.
- In 2012, the People's Government of Guizhou Province issued *Opinions on Further Promoting the Financing Guarantee Industry* which supports financing guarantee companies with business expansion and product innovation, while also providing financial benefits and tax relief.
- In 2013, the Ministry of Industry and Information Technology issued the *Implementation Plan for Supporting Small Enterprises* which increased subsidies to encourage more than 500 guarantee companies to provide guarantees for SMEs.

Since 2011, the Company has received RMB 23.7 million (approximately A\$3.9 million) in subsidies from the government in Guizhou Province, with the most recent being a grant of RMB 7 million (approximately A\$1.3 million) in December 2014.⁵ These subsidies were provided to the Company as part of the government's mandate to support the growth of SMEs.

The Company anticipates that the national and local governments will continue to support SMEs and guarantee companies, which will in turn facilitate further growth in the guarantee services industry.

2.6.3 SUPERVISION OF GUARANTEE INDUSTRY

As discussed in Section 2.4, the Interim Measures were introduced in 2010 to regulate the financing guarantee industry and effectively standardise its practices. One of the measures requires financing guarantee companies in the PRC to have certain minimum levels of registered capital in order to conduct business across provinces or at all. As a result, new financing guarantee companies may find it more difficult to enter the industry, and existing financing guarantee companies with insufficient levels of registered capital may be prevented from expanding outside their home province.

The non-financing guarantee industry in the PRC is currently much smaller than the financing guarantee industry. However, the Company considers that the non-financing segment has significant growth potential as a more junior market. In early 2014, CBRC and other ministries and commissions requested that local finance departments standardise the non-financing guarantee companies under their administration to promote the healthy and orderly development of the non-financing guarantee industry.

As recently as August 2015, the State Council has indicated that it will continue to increase its supervision of the guarantee industry. The Company welcomes such developments and considers that they may result in established guarantee companies like the Company being better positioned to grow more rapidly than new entrants to the guarantee industry.

⁴ The Company benefits from each of these measures except for the first as it is not a non-profit company.

⁵ The RMB figures in this sentence have been converted into AUD in accordance with the relevant year end average exchange rates set out in Section 4.2.3

3. COMPANY AND BUSINESS OVERVIEW

The Company's wholly owned subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd, was incorporated in 2005. Since then, the Company has grown to become an established provider of financing and non-financing guarantee services in the PRC, with 11 branches operating throughout the PRC, of which 8 are located in Guizhou Province where the Company is based.

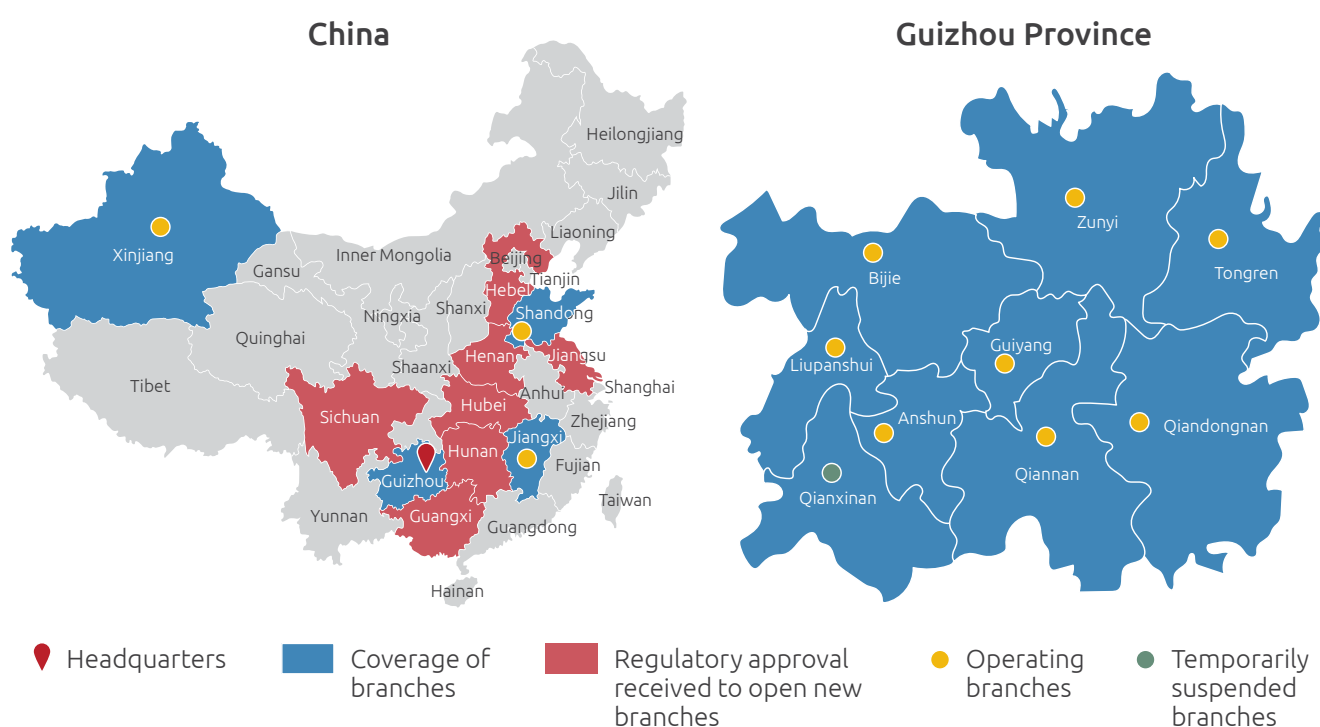
The Company predominantly provides its guarantee services to small and medium enterprises (**SMEs**) and individuals. Like most guarantee companies, the Company's main focus is on the provision of financing guarantee services which, in 2014, accounted for approximately 83% of its guarantee revenue. The remaining 17% of the Company's guarantee revenue was generated through non-financing guarantee services.

For financing guarantee services, the Company acts as an intermediary between borrowers and financial institutions such as banks. The Company will enter into a contract with the borrower under which it will guarantee the borrower's repayment obligations to the lender and assume the obligations of the borrower in the event that the borrower defaults. In return, the borrower will pay a fee to the Company based on the total amount being guaranteed.

In contrast, non-financing guarantee services refer to all other types of guarantee services. The non-financing guarantee industry is in its early stages of development, and the Company began providing non-financing guarantee services in 2014. For the Company, these services are mainly in the form of performance guarantees and litigation guarantees.

The Company is dedicated to the concept of 'inclusive finance' and prides itself on specialising in the provision of guarantee services to SMEs and individuals who may not otherwise be able to obtain finance from banks or pursue other ventures.

The map below sets out the existing and proposed branches of the Company throughout Guizhou Province and the PRC.⁶



⁶ The non-operating branch in Qianxinan has temporality suspended operations until the Company's level of net assets increases so that it complies with the Magnification policies of banks (see Section 2.4.2 for further information). The Company anticipates that the funds raised under the Offer will enable it to re-commence operations at the Qianxinan branch.

3.1 CORPORATE STRUCTURE

In preparation for the Group's listing on the ASX, a corporate restructure was implemented whereby Ding Sheng Xin Finance Co. Limited was registered in Australia and became the ultimate parent company of the Group. As a result, the corporate structure of the Group is now as follows:



Ding Sheng Xin Finance Co. Limited is a holding company registered in Australia on 9 January 2015. Other than in its capacity as the holding company for China Ding Sheng Xin Holdings Limited, Ding Sheng Xin Finance Co. Limited is not involved in any business activities and does not have any material assets or liabilities.

China Ding Sheng Xin Holdings Limited is a holding company registered in Hong Kong on 6 June 2013. Other than in its capacity as the holding company for Guizhou Ding Sheng Xin Long Asset Management Co., Ltd, China Ding Sheng Xin Holdings Limited is not involved in any business activities and does not have any material assets or liabilities.

Guizhou Ding Sheng Xin Long Asset Management Co., Ltd is a holding company registered in the PRC as a wholly foreign owned enterprise on 28 April 2015. Other than in its capacity as the holding company for Ding Sheng Xin Financing Guarantee Co., Ltd, Guizhou Ding Sheng Xin Long Asset Management Co., Ltd is not involved in any business activities and does not have any material assets or liabilities.

Ding Sheng Xin Financing Guarantee Co., Ltd is a company registered in the PRC on 18 August 2005. Ding Sheng Xin Financing Guarantee Co., Ltd is the operating entity of the Group, carrying on the business of providing financing and non-financing guarantee services in the PRC.

3.2 KEY MILESTONES OF THE COMPANY

A brief description of the key milestones that the Company has achieved over the years is set out below.

Year	Event
2005	Mr Guo Zhenhua, the Managing Director and CEO, establishes Ding Sheng Xin Financing Guarantee Co., Ltd (referred to as the Company in this table) for the purposes of providing guarantee services in the PRC.
2010	The Company's registered capital is increased to RMB 100 million (approximately A\$21.61 million).
2010	The Company is accredited as a "Top 10 Credit AAA Guarantee Enterprise in China".
2011	The Company's registered capital is increased to RMB 300 million (approximately A\$64.84 million).
2011	The Company establishes its 1st branch outside the Guizhou Province.
2011	The Company is granted the <i>Operation Permit for Financing Guarantee Organisations</i> enabling it to provide financing guarantee services in accordance with the Interim Measures introduced in 2010.
2012	The Company establishes its 7th branch.

2012	The Company is accredited as a “Top 10 Financial Service Provider” by the People’s Government of Guizhou Province.
2013	The Company’s registered capital is increased to RMB 500 million (approximately A\$108.06 million).
2013	The Company establishes its 9th branch.
2013	The Company is accredited as one of the most socially responsible enterprises in the Asia-Pacific region.
2013	The Company is granted the <i>Operation Permit for Financing Guarantee Organisations</i> .
2014	The Company establishes its 12th branch.
2014	The Company is accredited as a “Credit AAA Enterprise” by the Chinese Association of SME’s.

3.3 GUARANTEE SERVICES

The Company primarily generates its revenue through the provision of financing and non-financing guarantee services to its customers. Generally, guarantee fees are charged at a rate of 2-5% of the monetary value of the obligations being guaranteed, and are payable by the customer to the Company either up-front or on a monthly basis.

The Company considers that its key strengths (see Section 3.7) and business strategies (see Section 3.8) are integral to the Company’s ability to generate income through its guarantee services and ultimately achieve capital growth for Shareholders.

The Company has been providing financing guarantee services since 2005 and non-financing guarantee services since 2014. Financing guarantee services still make up the vast majority of the Company’s guarantee revenue, with approximately 83% generated through financing guarantees and 17% through non-financing guarantees.



This photograph shows one of the Company’s employees with a customer at the Company’s main branch in Guiyang, Guizhou Province.

3.3.1 FINANCING GUARANTEE SERVICES

Financing guarantee services involve the guarantee company acting as an intermediary between borrowers and financial institutions such as banks. Typically, the financing guarantee company will enter into a contract with the borrower under which it will guarantee the borrower's repayment obligations to the lender and assume the obligations of the borrower in the event that the borrower defaults. In return, the guarantee company will charge the borrower a fee – usually based on the total amount being guaranteed.

In providing financing guarantee services, the Company leans on its established business relationships with banks, and its track record and reputation in the guarantee services industry, to enhance the customer's overall creditworthiness and improve the customer's ability to obtain finance more conveniently and efficiently.

The guarantee serves as an additional comfort to lending institutions by reducing their exposure to the default risk of SMEs and individuals. As such, banks are more willing to grant loans to borrowers with a guarantee provided by a guarantee company, enabling borrowers to obtain better funding terms and helping to create a "win-win" outcome for the parties involved.

The Company specialises in providing financing guarantee services to SMEs and individuals. The Company's 2 flagship guarantee services are the "Working Capital Guarantee" (branded as "Ze Wu Pang Dai" in the PRC) and the "Home Decoration Guarantee" (branded as "Gai Chao Huan Dai" in the PRC).

Working Capital Guarantee

Launched by the Company in 2008, the Working Capital Guarantee is a customised guarantee service for SMEs to assist them with obtaining finance from banks more conveniently and efficiently. The Company provides this service to SMEs who are otherwise unable to provide sufficient collateral to secure loan repayments or credit facilities. The Company will accept a broad range of assets as collateral for a loan, including real estate, machinery, equipment, inventory and accounts receivable. Banks, on the other hand, will only accept certain types of collateral. In addition, the Company offers its Working Capital Guarantee at a lower fee, and is able to arrange lower interest rates charged by banks to the SME.



Home Decoration Guarantee

The Home Decoration Guarantee is a guarantee service introduced by the Company to the Chinese market in 2005. This guarantee service is designed to assist individuals with obtaining bank loans to fund the decoration of their homes, which is a form of funding commonly sought by households in the PRC. Often such households are unable to provide sufficient collateral for the funding or are otherwise not regarded by banks as being creditworthy. One of the defining features of the Home Decoration Guarantee is that the Company does not require the customer to provide a mortgage to secure its obligations.



Other financing guarantee services

Other common types of financing guarantee services provided by the Company include the guarantee of bond repayments by certain companies listed on the Shanghai Equity Exchange, and the guarantee of finance between individuals by way of a peer-to-peer platform.

3.3.2 NON-FINANCING GUARANTEE SERVICES

Non-financing guarantee services are distinguished from financing guarantee services on the basis that they are guarantees for obligations other than the repayment of loans or other forms of debt finance. Instead, the non-financing guarantee company acts as an intermediary between 2 or more parties in relation to an agreement or arrangement that is not of a loan or debt financing nature. Generally, the guarantee company will guarantee one party's obligations to the other party and, in return, the guarantee company will charge its customer a fee.

The Company began providing non-financing guarantee services in 2014 and they currently comprise a much smaller part of the Company's operations than financing guarantee services. However, sensing the strong growth potential of the non-financing guarantee industry, the Company intends to continue developing its non-financing guarantee operations. The Company's non-financing guarantee services primarily include the provision of performance guarantees and litigation guarantees.

Performance guarantees

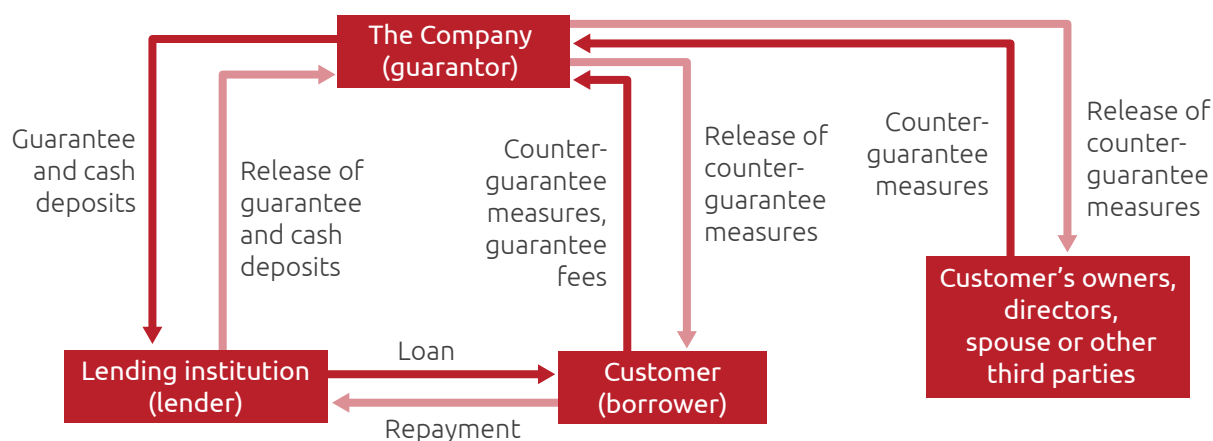
A performance guarantee is where the Company guarantees the performance of its customer's obligations under a contract, such as the payment of money or the supply of goods by a certain date. The Company commonly provides performance guarantees in relation to obligations under construction and engineering contracts, including with respect to the timing of completion, cost and quality of a project. The Company has also entered into an exclusive agreement with the Guizhou Liquor Exchange to provide guarantee services to persons who purchase liquor products on the exchange on a repayment schedule.

Litigation guarantees

A litigation guarantee is where the Company guarantees its customer's obligation to compensate the court for any loss the court incurs as a result of freezing the counterparty's assets in a litigation matter. The freezing of a counterparty's assets is a procedural requirement for certain litigation matters in the PRC.

3.4 GUARANTEE AND SECURITY CONTRACTS

When providing guarantee services, the Company enters into a number of contracts with the customer (and, at times, its associates) to record the terms of the guarantee and to secure the performance of the customer's obligations. The chart below illustrates the guarantee and security arrangements that the Company typically enters into when providing guarantee services.



3.4.1 GUARANTEE CONTRACT

The Company firstly enters into a standard form guarantee contract with its customers which sets out the terms and conditions upon which the Company agrees to guarantee the obligations of the customer under a principal contract, which in some cases are supported by cash deposits provided by the Company on behalf of the customer. The key terms of the guarantee contract are set out below.

Clause	Term
1	The definition of the guaranteed principal contract, including the term, type and amount of the debt underlying the principal contract.
2	The amount, type, scope and term of the guarantee will be determined by the maximum guarantee contract between the Company and the creditor under the principal contract.
3 & 4	The amount of the guarantee fee charged (generally 2-5% of the amount guaranteed), and payment schedule.
5	The customer warrants and undertakes as to: <ul style="list-style-type: none">the truth and accuracy of all statements and documents provided to the Company;timely full payment of the debt underlying the principal contract and guarantee fee;the use the funds according to the application purpose, and acceptance of the Company's inspection and supervision;timely notification of the Company in written form when certain significant events occur, including the death of the debtor, change of personal information, amendment of the principal contract, and other significant events.

Clause	Term
6	<p>The Company's rights and obligations include:</p> <ul style="list-style-type: none"> • inspection of the counter-security provided by the customer; • performance of the guarantee obligation according to the contract; • keeping the customer's documents and business status confidential.
7	<p>The Company is entitled to request the creditor of the principal contract to terminate the principal contract, not to provide further loans, or reclaim the debt in advance, and file suit against the customer in the Company's name directly, if any of the following events occur:</p> <ul style="list-style-type: none"> • the customer changes the use purpose of the funds; • the customer transfer assets and withdraws funds for the purpose of evading repayment of the debt; • the customer refuses to perform its duties under the principal contract; • the customer loses the capability of paying off the principal debt; • the customer fails to fully payoff the debt or guarantee on time; • the asset providing the counter-security is under the transferring process, losing substantial value or other situations that may affect the Company's interests; • the customer provides a guarantee to a third party without the Company's written consent; • the customer becomes involved in significant litigation, insolvency or other events that may significantly affect the Company's interest.
8	<p>The customer must cooperate with the Company in the registration of mortgage or pledge rights underlying the counter-security contract.</p>
9	<p>Both parties must enter into a separate counter-security contract. When the principal contract terminates, the customer must fully pay all guarantee fees according to the contract.</p>
10	<p>In the case of any default by the customer, the customer must compensate all losses incurred by the Company and pay a default penalty to the Company, equating to 30% of the losses.</p>
11	<p>In the case of any dispute arising from the contract, the dispute will be handled by the local court where the Company is located.</p>

3.4.2 COUNTER-SECURITY CONTRACT

The Company then enters into a standard form counter-security contract with its customers under which the customer (and, at times, its associates) guarantees the performance of its obligations under the guarantee contract, and in some cases provides additional security such as mortgages, pledges and cash deposits. The key terms of the counter-security contract are set out below.

Clause	Term
1	<p>The definition of the counter-guaranteed principal debt, which is the amount payable to the Company under the guarantee contract.</p>
2	<p>The scope of the counter-security, which includes the principal amount, interest, compound interest, penalty interest, default penalty and compensation that is paid off by the Company on the customer's behalf, and all reasonable fees and expenses incurred by the Company during the process.</p>
3	<p>The term of counter-security: ends 2 years after the debt under the principal contract is fully repaid and discharged by the customer.</p>
4	<p>The guarantee is a joint responsibility guarantee which enables the Company to seek recourse against any of the security providers, rather than having to seek recourse against the customer first.</p>

Clause	Term
5	<p>The customer must notify the Company in writing of any:</p> <ul style="list-style-type: none"> • significant change to its business operation model; • amendment to its articles of association; • significant change to its senior management, corporate investment, financial status, termination of business, bankruptcy, or dissolution; • serious safety accident, property loss and casualty; • loss or risk of the counter-guaranteed assets; • significant dispute or punishment; • material change to the principal contract; and • other situations that may affect the Company's interests.
6	<p>In the event the customer fails to perform any counter-security duty, the Company is entitled to dispose or deal with the counter-guaranteed assets, or claim on the customer's behalf any rights it has as a creditor.</p>
8	<p>All reasonable expenses and fees related with the contract will be borne by the customer.</p>
9	<p>The customer warrants and undertakes that:</p> <ul style="list-style-type: none"> • all statements and documents provided to the Company are true and accurate; • there is nothing that has not been disclosed to the Company Xin by the customer that would materially affect the Company's acceptance of the customer's counter-guarantee; • the customer will report to the Company regarding all changes of its corporate registration information; and • the customer has legally excluded all situations that may negatively affect the performance of the counter-security interest.
10	<p>In the case of any dispute arising from the contract, the dispute will be handled by the local court where the Company is located.</p>

3.4.3 MORTGAGE AND PLEDGE CONTRACTS

Often the Company will also enter into mortgage and/or pledge contracts with its customers (and/or their associates) to further secure the performance of the customer's obligations under the counter-security contract. Mortgage securities include mortgages over real property, motor vehicles, equipment, materials and products. Pledge securities include pledges over shares, products, mining rights and operation rights.

In most cases, the Company has not registered its security interests under the mortgage and pledge contracts due to the time consuming and costly registration process in the PRC. However, this is not uncommon among guarantee companies in the PRC. A brief description of the risks associated with the Company's failure to register its security interests is set out in Section 6.3.1.

3.5 RISK MANAGEMENT

Under a typical guarantee arrangement, the Company is released from its guarantee obligations after the customer has fully complied with its obligations under the principal contract (for example, by the repayment of the principal, interest and other fees for a loan). However, if the customer defaults, the Company is required to pay or otherwise perform on behalf of the customer under the principal contract. The Company will then seek reimbursement for its losses from the customer under the counter-security contract and any other security arrangements it has in place (see Section 3.4 for further information).

Accordingly, risk management and internal controls are an integral part of the Company's business. To better manage risk and improve internal controls, the Company has implemented internal guidelines and operations manuals which set out various instructions, rules and policies regarding business management, business operation procedures, human resources management, administration management and finance management.

The Company successfully complies with the 'internal prudent operation' principle which underlies the relevant laws and regulations in the PRC through the rules, structures and processes it has established for the purposes of risk management and its operations generally. The Company has established a risk

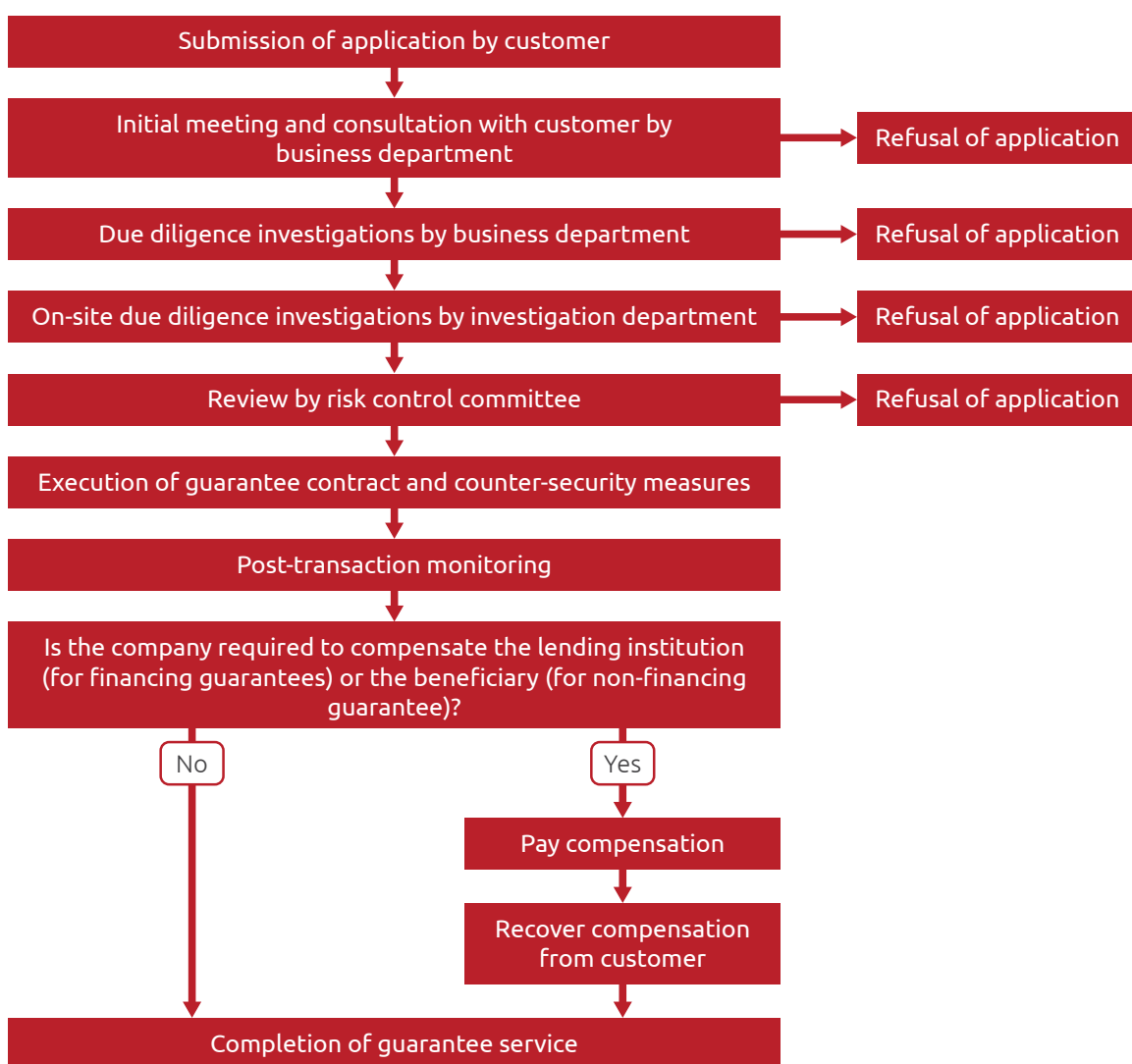
management committee which is responsible for:

- designing and implementing risk management and internal control policies and procedures and establishing appropriate risk appetite;
- designing and implementing due diligence procedures; and
- reviewing the creditworthiness of customers before submitting to the Chief Executive Officer for final approval.

The Company has its own legal department comprised of qualified lawyers who attend to matters relating to contracts, risk assessment, debt recovery and compliance with relevant laws and regulations in the PRC.

The Company provides ongoing training and seminars to staff which typically cover developments in the Chinese economy and the guarantee industry (including with respect to relevant laws and regulations), and updates to, and reviews of, the Company's internal guidelines and operations manuals.

The Company's risk management processes start from the guarantee approval process and continue through to its post-transaction monitoring processes. The chart below illustrates the Company's guarantee approval process from initial contact with the customer to completion of the guarantee service.



Under loan guarantee arrangements, the Company acts as an intermediary between the bank as the lender and the Company's customer as the borrower. The customer must separately pass the Company's credit approval process and the bank's credit approval process, which are conducted independently and in accordance with the respective internal policies and guidelines of the Company and the bank.

The Company's approval process focuses on, among other things, the financial circumstances of the customer, including its ability to generate income and make repayments in light of existing and anticipated economic conditions. For businesses, the Company will also focus on the customer's

ownership and management, and their financial circumstances.

If the Company finds that the risk attaching to a customer exceeds what is acceptable under its internal guidelines then the Company will refuse to provide guarantee services to the customer. If the level of risk is acceptable, the Company may then agree to provide guarantee services to the customer. The level of risk will impact the guarantee fee charged by the Company (generally 2-5% of the amount guaranteed), and the types of security required to be provided by the customer (for example, personal guarantees, mortgages, pledges, etc).

The project manager who is assigned to a guarantee will monitor the status of the customer after the guarantee has been entered into. The project manager visits the customer regularly to understand its operations and financial status by checking financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills, bank statements and others relevant documents.

The Company has an impressive record with respect to defaulting customers. In 2014, the percentage of financing guarantees that the Company was required to pay due to customer default was 1.21%, which was down from 2.88% in 2013.

3.6 SALES AND MARKETING

The Company's target markets are SMEs and individuals. Customers are primarily sourced through measures taken by the Company's sales and marketing team, and through referrals from banks and customers.

The Company's sales and marketing team primarily sources customers through on-site marketing campaigns, sales campaigns, advertisements and telemarketing. For example, as one of the Company's flagship guarantee services is its Home Decoration Guarantee, the Company regularly conducts promotional activities at construction materials events, and advertises in construction materials publications.

Referrals from banks are also a key source of customers for the Company's financing guarantee operations. The Company has built strong business relationships with over 40 banks, including national commercial banks, policy banks, state-owned commercial banks, joint-stock commercial banks, local commercial banks and rural banks. The Company is able to design and tailor its guarantee services to not only suit the needs of borrowers but also meet the requirements of lenders. This enables the Company to grow business relationships with banks and other lending institutions.

The Company values its customers and strives to build long-term and enduring relationships with them. Through this, customer referrals and repeat customers have become an important source of work for the Company. The Company also receives referrals from other stakeholders in the guarantee industry, such as rating agencies, and through its associations and memberships with various industry bodies.

The Company considers that its website is an important tool in reaching prospective and existing customers. Accordingly, the Company updates and develops its website on an ongoing basis.

3.7 COMPETITIVE STRENGTHS

3.7.1 RISK MANAGEMENT

The Company considers risk management to be critical to its success and adheres to prudent risk management systems. The Company has established innovative, market leading risk management systems which focus on identifying, avoiding and mitigating risks in its business (see Section 3.5 for further information). The Company's systems include a customer credit investigation and evaluation system composed of 42 indicators and an independently developed information management system.

The Company has an excellent track record with respect to defaulting customers. In 2014, the percentage of financing guarantees that the Company was required to pay due to customer default was 1.21%, which was down from 2.88% in 2013.

3.7.2 DEFINED BUSINESS STRUCTURE

The Company has established a model for its business structure which sets out standardised business procedures that can be easily replicated in all branches. The unique model contains 8 independent departments, including the individual loan department, enterprise loan department, inspection department, auditing department, customer service department, financing department, post-loan management department and business promotion department. This defined structure enables the

Company to minimise risks and expand more rapidly by implementing the standardised business procedures in new branches.

3.7.3 ESTABLISHED MARKET POSITION

The Company primarily targets SMEs and individuals as its customer base, thereby avoiding direct competition with banks and other financial institutions. There are barriers to other guarantee companies entering the market due to risk control and service capability requirements, as well as regulatory requirements such as the minimum registered capital requirements (see Section 2.4 for further information). The Company considers itself to be a pioneer in the field of providing guarantee services to SMEs and individuals in the PRC.

3.7.4 BUSINESS RELATIONSHIPS

The Company considers that its strong relationships with banks and other financial institutions are important to its success. The Company has strong business relationships with over 40 banks, including national commercial banks, policy banks, state-owned commercial banks, joint-stock commercial banks, local commercial banks and rural banks. The Company has gained the confidence of lenders in the PRC through its established track record, strong financial and operational history, and respected brand name.

3.7.5 BRANCH NETWORK

The Company currently has 12 established branches in the PRC (of which 11 are currently operating) and approval has been obtained to set up additional branches in the provinces of Hebei, Henan, Hubei, Hunan, Sichuan and Jiangsu (see Section 3.8.2 for further information). When establishing new branches, the Company draws on the industry experience it has acquired from established regions and adapts this to local conditions. Further, the Company's defined business structure and systems help to enable the efficient roll out of new branches. The Company considers that its network of branches spanning across the PRC promotes its national exposure and reinforces its image as a trusted guarantee service provider in the PRC.

This photograph shows two of the Company's employees at the reception desk of the Company's branch management centre in Guiyang, Guizhou Province.



3.7.6 GOVERNMENT SUPPORT

Since commencing in 2005, the Company has grown to become a respected and trusted provider of guarantee services in the PRC, which has in turn been recognised by the public sector. As discussed in Section 2.6.2, governments at the national and local levels support the guarantee services industry in the PRC due to the economic and social benefits that they can potentially provide.

The Company has benefited from many of the measures implemented by the governments to support the guarantee industry. For example, the Company has received government subsidies of RMB 2.3 million (approximately A\$344,839) in 2011, RMB 6 million (approximately A\$1.30 million) in 2012, RMB 8.4 million (approximately A\$1.82 million) in 2013 and RMB 7 million (approximately A\$1.51 million) in 2014.⁷

3.7.7 MANAGEMENT TEAM

The guarantee services industry in the PRC is still relatively young with the first guarantee company having been officially approved by the State Council in 1993. Since entering the guarantee industry in 2005, the Company and its key personnel have acquired and developed considerable experience in and understanding of the guarantee industry in the PRC. Members of the management team have rich working experience in the financial industry as well as strong senses for risk control and strategic development. Please refer to Section 7.5 for further information on the Company's management team.

3.8 BUSINESS STRATEGIES

3.8.1 INCREASING MAGNIFICATION

As discussed in Section 2.4.2, the Interim Measures restrict a financing guarantee company to having a Magnification (i.e. the aggregate amount of money secured by financing guarantees provided by the guarantee company) of no more than 10 times its net assets. However, the policy of many banks in the PRC is that they will not take on a guarantee from a company which has a Magnification of more than 5 to 6 times its net assets. Accordingly, guarantee companies are restricted in the amount of business they can do by the level of their net assets.

One of the key reasons for the Company listing on the ASX is to increase its level of net assets through the funds raised under the Offer, and to have better access to capital in the future via equity capital markets. Having its Shares quoted on the ASX will give the Company a distinct advantage over unlisted competitors in the guarantee industry in the PRC by enabling it to strengthen its balance sheet through capital raisings, which will in turn enable the Company to provide additional guarantee services and grow its business.

3.8.2 EXPANSION OF BRANCH NETWORK

The Company currently has 12 established branches in the PRC, of which 11 are currently operating. A map setting out the existing and proposed branches of the Company throughout Guizhou Province and the PRC can be found at the beginning of this Section 3.

The non-operating branch in Qianxinan has temporarily suspended operations until the Company's level of net assets increases so that it complies with the Magnification policies of banks (see Section 2.4.2 for further information). The Company anticipates that the funds raised under the Offer will enable it to re-commence operations at the Qianxinan branch.

Of the Company's operating branches, 8 are based in Guizhou Province, with the others located in the provinces of Jiangxi, Xinjiang and Shandong. The Company intends to actively and strategically expand its branch network to gradually cover all major provinces in the PRC. The Company has obtained approval from the relevant local governments to set up additional branches in the provinces of Guangxi, Hebei, Henan, Hubei, Hunan, Sichuan and Jiangsu. Each branch costs approximately RMB 5,000,000 to RMB 10,000,000 (approximately A\$1,080,614 to A\$2,161,228) to establish, and it generally takes 3 to 6 months to establish a new branch after approval is obtained.

The Company believes that an extensive branch network throughout the PRC is critical to its continued success and growth as it increases the Company's national brand exposure and reinforces its image as a trusted guarantee services provider in the PRC. Following completion of the Offer and listing on the ASX, the Company intends to establish new branches at the locations it has obtained, or may in the future obtain, approval for. This will give the Company better access to SMEs and individuals in different provinces, thereby giving the Company access to new markets.

⁷ The RMB figures in this sentence have been converted into AUD in accordance with the relevant year end average exchange rates set out in Section 4.2.3

Expansion also helps the Company to mitigate market and economic risks by diversifying its customer base across provinces, and reducing exposure to economic conditions across provinces. Further, by expanding through the establishment of new branches the Company will naturally increase in scale, enabling it to potentially benefit from economies of scale.

3.8.3 MARKETING AND PROMOTION

The Company considers that marketing and promotion are important to increasing its brand awareness in the Chinese guarantee industry and ultimately generating business for the Company. As discussed in Section 3.6, the Company has established its own sales and marketing team which develops and implements the Company's marketing and promotional campaigns.

The Company intends to use funds raised under the Offer on increasing its marketing and promotional activities following listing. Such activities will include increased internet advertising and advertising campaigns in the cities in which the Company establishes new branches.

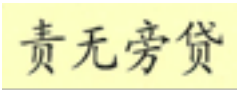

3.8.4 GUARANTEE SERVICE INNOVATION

The Company's operations are predominantly comprised of financing guarantee services, however the Company considers that the non-financing guarantee services industry has considerable potential for growth as a developing market. The Company intends to pursue opportunities in this market and innovate new services beyond its flagship financing guarantee services.

For example, the Company has entered into an agreement with the Guizhou Liquor Exchange which gives the Company the exclusive rights to provide guarantee services to persons who purchase liquor products on the exchange on a repayment schedule. Other innovative types of financing guarantee services provided by the Company include the guarantee of bond repayments by certain companies listed on the Shanghai Equity Exchange, and the guarantee of finance between individuals on a peer-to-peer platform.

3.9 INTELLECTUAL PROPERTY

The Company has registered the following trademarks in the PRC:

Trademark	Meaning	Expiry date
	"Ze Wu Pang Dai" being the name of the Company's Working Capital Guarantee	13 May 2024
	"Ding Sheng Xin Rong" which means "Ding Sheng Xin Financing" in English	27 January 2025

Adopted in 1982 and revised in 1993, 2001 and 2013, the PRC Trademark Law protects registered trademarks. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or has been subject to a preliminary examination and approval for use on the same kind of, or similar commodities or services, the application for registration of such trademarks may be rejected.

Any person applying for the registration of a trademark must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a "sufficient degree of reputation" through that person's use.

After receiving an application, the Trademark Office, which is under PRC State Administration for Industry and Commerce and handles trademark registration affairs in the PRC, will make a public announcement if the relevant trademark passes the preliminary examination.

Within 3 months of such public announcement, any person may file an objection against a trademark that has passed the preliminary examination. The PRC Trademark Office's decisions on rejection, objection or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings.

If no objection is filed within 3 months of the public announcement period or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, at which point the trademark is deemed to be registered and will be effective for a renewable 10-year period, unless otherwise declared invalid or revoked. The licensor must file the trademark licensing with the PRC Trademark Office for record. The licensing of a trademark that has not been filed for record may not be used against a bona fide third party.



This photograph shows employees of the Company at the Company's main branch in Guiyang, Guizhou Province.

4. FINANCIAL INFORMATION

4.1 OVERVIEW

This Section 4 contains a summary of the Pro Forma Historical Financial Information and Pro Forma Consolidated Historical Financial Information (collectively, the **Financial Information**) in relation to Ding Sheng Xin Finance Co. Limited (**Company**) which the Directors consider relevant to investors.

Investors are referred to Section 3.2 of the Prospectus for an overview of the Company's corporate structure. Investors should note that the Group's financial year (**FY**) is from 1 January to 31 December.

4.1.1 PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information relates solely to Ding Sheng Xin Financing Guarantee Co., Ltd (**PRC DSX**), a company registered in the PRC, and consists of the:

- (a) Audited Pro Forma Historical Statement of Comprehensive Income for FY2012*, FY2013 and FY2014 as set out in Section 4.3.1;
- (b) Audited Pro Forma Historical Statement of Cash Flows for FY2012*, FY2013 and FY2014 as set out in Section 4.3.2; and
- (c) Audited Pro Forma Historical Statement of Financial Position as at 31 December 2012*, 31 December 2013 and 31 December 2014 as set out in Section 3.

Note: A qualified audit report was issued for PRC DSX for FY2012. Details of the qualification are set out in the Investigating Accountant's Report included in Section 5.

The Company was registered in Australia on 9 January 2015 and has not traded. Consolidated Financial Information for the Company for the period from registration to 30 June 2015 has been reviewed as part of the Pro Forma Consolidated Historical Financial Information as set out in Section 4.5.

4.1.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Consolidated Historical Financial Information includes the Historical Financial Information of the Company, the Financial Information of PRC DSX as at 31 December 2014, assumes the pro forma transactions set out in Note 2 of Section 4.5 had occurred, and consists of:

- (a) Pro Forma Consolidated Historical Statement of Financial Position of the Company as at 30 June 2015; and
- (b) Pro Forma Consolidated Historical Statement of Changes in Equity of the Company as at 30 June 2015.

The pro forma transactions (which include the acquisition of PRC DSX) have been included in the Pro Forma Consolidated Statement of Financial Position as at 30 June 2015 to provide investors with a view of the Group's financial position.

The Financial Information contained in this Section 4 is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with Australian equivalents to International Financial Reporting Standards and the Corporations Act. The Directors consider that the omitted disclosures would not provide any additional relevant information to investors.

The Financial Information in this Section 4 should be read in conjunction with the remainder of this Prospectus, including the risk factors associated with an investment in the Company set out in Section 6, and the Investigating Accountant's Report included in Section 5. Investors should note the scope and limitations of the Investigating Accountant's Report.

4.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

4.2.1 PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information has been compiled from the financial statements of PRC DSX for FY2013, FY2013 and FY2014 (**Financial Statements**). The Financial Statements have been audited by Moore Stephens.

A qualified audit report was issued on the Financial Statements for FY2012. Details of the qualification are set out in the Investigating Accountant's Report.

The Financial Statements were audited in accordance with Australian Auditing Standards. Moore Stephens' audit report on the Financial Statements was provided solely in the context of their compliance with International Financial Reporting Standards (**IFRS**), and no opinion was expressed on the compliance of the Financial Statements with the relevant accounting, statutory and regulatory requirements in the PRC.

The Financial Statements are prepared and presented in the functional currency of PRC DSX, being RMB. The Pro Forma Historical Financial Information contains no adjustment to those Financial Statements other than conversion to AUD at applicable exchange rates for illustrative purposes.

4.2.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information of the Company has been compiled from the reviewed financial information of the Company for the period ending 30 June 2015 and the Pro Forma Historical Financial Information of PRC DSX for FY2014.

4.2.3 FOREIGN CURRENCY TRANSLATION

In accordance with the requirements of Australian Accounting Standards, the Company has adopted the foreign currency translation accounting policy set out in Section 4.5 in which assets and liabilities of the Company and its controlled entities are translated at exchange rates in effect at the reporting date. Revenue and expenses are translated at the exchange rates in effect at the date of the transaction. Exchange differences arising are recognised directly to the Group's foreign currency translation reserve in the Statement of Financial Position.

The exchange rates used in the preparation of the Financial Information in this Section 4 are set out below:

RMB: AUD		
FY	Year ended average	Year ended spot
2011	0.14993	0.15602
2012	0.15302	0.15459
2013	0.16798	0.18468
2014	0.17975	0.19662
to 30 June 2015	-	0.20982

Share capital injections for PRC DSX are converted at the spot rates applicable on the dates of the relevant injections.

4.3 PRO FORMA HISTORICAL FINANCIAL INFORMATION

Set out below is the Pro Forma Historical Financial Information for PRC DSX. The basis of the preparation of the Historical Financial Information is set out in Section 4.2. The accounting policies adopted by PRC DSX in preparation of the Financial Statements are set out in Note 1 of Section 4.5.

4.3.1 PRO FORMA HISTORICAL STATEMENT OF COMPREHENSIVE INCOME

Pro Forma Historical Statement of Comprehensive Income	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Revenue	6,312	9,130	14,415
Other revenue	3,027	2,858	5,307
Operating expenses	(1,111)	(2,424)	(2,254)
Administration expenses	(2,013)	(3,107)	(4,119)
Finance costs	(8)	(10)	(12)
Profit before income tax expense	6,207	6,447	13,337
Income tax expense / (benefit)	(372)	(636)	(1,492)
Profit after income tax expense	5,835	5,811	11,845

Note: The above figures have been translated from RMB to AUD at average exchange rates applicable for the reporting period, as set out Section 4.2.3.

4.3.2 PRO FORMA HISTORICAL STATEMENT OF CASH FLOWS

Pro Forma Historical Statement of Cash Flows	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers	9,131	11,118	23,287
Payments for pledged bank deposits	(17,531)	(11,910)	(20,232)
Payments to guarantee holders, suppliers and employees	(2,803)	(14,392)	(5,621)
Interest received	193	392	715
Finance costs	(8)	(10)	(12)
Income tax paid	(417)	(513)	(1,481)
Net cash provided by (used in) operating activities	(11,435)	(15,315)	(3,344)
Cash flows from investing activities			
Purchase of property, plant and equipment	(591)	(995)	(410)
Purchase of intangibles	(9)	-	(11)
Proceed from sale of non-current assets	58	5	-
Net cash provided by (used in) investing activities	(542)	(990)	(421)
Cash flows from financing activities			
Cash receipts (advanced) from (to) non-related parties	156	610	4,274
Cash receipts (advanced) from (to) related parties	-	114	614
Additional share capital injection ¹	-	35,328	-
Net cash provided by (used in) financing activities	156	36,052	4,888
Net change in cash and cash equivalents held	(11,821)	19,747	1,123
Forex translation movement	(444)	4,578	3,179
Cash and cash equivalents at beginning of financial year ²	35,478	23,213	47,538
Cash and cash equivalents at end of financial year²	23,213	47,538	51,840

Notes:

- Cash inflows from the additional share capital injections have been translated at historical spot rates applicable on the date of injection, as set out below.

Reporting period	Date additional capital injected	Amount of additional capital injected	RMB	AUD
FY2013	26 June 2013	RMB 140 million	1	0.17550
FY2013	9 August 2013	RMB 60 million	1	0.17930

- Cash and cash equivalent at the beginning and end of the financial year have been translated at the applicable spot rates at the balance date, as set out in Section 4.2.3.
- Other than as stated above, all other figures have been translated from RMB to AUD at average exchange rates applicable for the reporting period, as set out in Section 4.2.3.

4.3.3 PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Pro Forma Historical Statement of Financial Position	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Current assets			
Cash and cash equivalents	23,213	47,538	51,840
Trade and other receivables	5,452	17,222	21,399
Other current assets	32	203	108
Pledged bank deposits	27,843	47,413	68,849
Current tax assets	138	30	20
Total current assets	56,678	112,406	142,216
Non-current assets			
Trade and other receivables	1,839	2,975	4,355
Pledged bank deposits	5,942	6,043	10,194
Property, plant and equipment	679	1,550	1,511
Intangible assets	10	10	21
Total non-current assets	8,470	10,578	16,081
Total assets	65,148	122,984	158,297
Current liabilities			
Liabilities from financing guarantees	4,022	5,613	8,048
Liabilities from non-financing guarantees	-	-	2,364
Other current liabilities	1,318	1,385	7,895
Total current liabilities	5,340	6,998	18,307
Non-current liabilities			
Liabilities from financing guarantees	1,192	1,866	3,283
Liabilities from non-financing guarantees	-	-	2,265
Other non-current liabilities	99	886	931
Total Non-current liabilities	1,291	2,752	6,479
Total liabilities	6,631	9,750	24,786
Net assets	58,517	113,234	133,511
Equity			
Issued capital ¹	46,748	82,077	82,077
Foreign currency translation reserve ²	(689)	12,888	21,320
Statutory reserves ³	300	599	1,206
Retained earnings ³	12,158	17,670	28,908
Total equity	58,517	113,234	133,511

Notes:

1. PRC DSX was registered on 18 of August 2005 with paid up capital of \$16,240,621 (translated at the spot rate RMB 1: A\$0.16241). On 26 January 2011, 26 June 2013 and 9 August 2013, a further \$30,507,802, \$24,570,025 and \$10,758,086 was contributed to the capital respectively (translated at the spot rate RMB 1: A\$0.15254, RMB 1: A\$0.17550 and RMB 1: A\$0.17930 respectively).
2. The impact on translation reserve as a result of translating the asset, liabilities, equity, revenue and expenses at different rate is summarised below.

Translation reserve	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Impact of translation of opening retained earnings at historical average rate	(377)	2,046	3,974
Impact of translation of net profit of the year at average rate	60	578	1,112
Impact of share capital at historical spot rate	(372)	10,264	16,234
Total foreign currency translation reserve	(689)	12,888	21,320

3. Opening retained earnings as at 1 January 2012 has been translated at the average rate between 18 August 2005 to 31 December 2011 at RMB 1: A\$0.16393. The relevant impact of net profit on retained earnings has been translated at the average exchange rates for the relevant years. The same exchange rates have been used for statutory reserve movements.
4. Other than as stated above, all other figures have been translated from RMB to AUD at average exchange rates applicable for the reporting period, as set out in Section 4.2.3.

4.4 MANAGEMENT DISCUSSION AND ANALYSIS

4.4.1 GENERAL FACTORS AFFECTING OPERATING RESULTS

Below is a discussion of the main factors which affected PRC DSX's operations and financial performance in FY2012, FY2013 and FY2014, and which the Group considers may continue to affect it in the future. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected PRC DSX's historical operating and financial performance, or everything that may affect PRC DSX's operations and financial performance in the future. This Section 4 should be read in conjunction with the Basis of Preparation of the Financial Information set out in Section 4.2.

(a) Revenue

Revenue	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Financing guarantee fee income	5,932	8,847	11,342
Non-financing guarantee fee income	-	-	2,304
Agency fee income	380	283	769
Total revenue	6,312	9,130	14,415
Other income			
Government grants	923	1,411	1,258
Interest income	193	392	715
Interest income – financing guarantee fee receivable	1,829	1,030	2,716
Interest income – non-financing guarantee fee receivable	-	-	506
Other sundry income	82	25	112
Total other income	3,027	2,858	5,307

Operating revenues and other income are generated through the provision of financing and non-financing guarantee services through the main operating entity, Ding Sheng Xin Financing Guarantee Co., Ltd.

In FY2012 and FY2013, only financing guarantee services were provided. The operating revenue was mainly financing guarantee fee income which accounted for 93.98% and 96.90% of total operating revenue in FY2012 and FY2013 respectively. The remaining operating income was generated through agency services which was agency fee income.

In FY2014, PRC DSX began providing non-financing guarantee services, the revenue generated from which accounted for 15.98% of the total revenue. The revenue generated from financing guarantee services still accounted for a major part of the total revenue, which was 78.69%. The remaining 5.33% was generated from agency services.

The total revenue increased by 44.65% and 57.89% in FY2013 and FY2014 respectively. In FY2013, the growth was mainly derived from the injection of registered capital so PRC DSX could provide more financing guarantee services through a reduced Magnification. In FY2014, the growth was derived both from the increase of financing guarantee revenue and the contribution of non-financing guarantee services.

Both local and national governments have many favourable policies for guarantee companies. PRC DSX obtained \$923,000, \$1,411,000 and \$1,258,000 of government grants in FY2012, FY2013 and FY2014 respectively.

For financing and performance guarantee contracts with guarantee fees receivable recorded, the impact of recording the receivable at present value is that the receivable recorded is lower than the total cash to be received. Revenue in relation to the guarantee contract is this present value. The difference between the present value calculated and the overall contract value is reflected as interest income. The interest income generated from both the financing and performance guarantee contracts amounted to \$1,829,000, \$1,030,000 and \$3,222,000 in FY2012, FY2013 and FY2014 respectively.

(b) Operating expense

Operating expense	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Salary and welfare expenses (sales)	557	1,211	1,550
Staff travelling and commuting expenses	48	122	179
Impairment provision charged/(written back) for provision for guarantee losses	151	46	109
Unexpired risk liability expenses	-	-	136
Impairment provision charged / (written back) for subrogation receivables	23	464	(236)
Advertisements	73	347	322
Other operating expenses	259	234	194
Total operating expense	1,111	2,424	2,254

Operating expenses are expenses arising directly from the generation of sales and are largely made up of salaries and wages, staff travelling and commuting expenses, impairment provision expenses and advertisements.

Salary and welfare expenses accounted for the largest part of total operating expenses, amounting to 50.14%, 49.96% and 68.77% in FY2012, FY2013 and FY2014 respectively. Salary and welfare expenses increased 117.41% and 27.99% in FY2013 and FY2014 respectively. The great increase in FY2013 is mainly due to the employment of more sales employees for newly established branches.

Staff travelling and commuting expenses accounted for 4.32%, 5.03% and 7.94% of total operating expense in FY2012, FY2013 and FY2014 respectively. Staff travelling and commuting expenses increased 154.17% and 46.72% in FY2013 and FY2014 respectively. The great increase is due to the rapid growth of business and expansion to provinces outside Guizhou Province and into other provinces in the PRC.

Impairment provision charged for provision of guarantee losses accounted for 13.59%, 1.90% and 4.84% of total operating expense in FY2012, FY2013 and FY2014 respectively. Potential guarantee losses were assessed each year end. Additional provision is charged to cover potential guarantee loss risk based on the assessment.

Impairment provision charged / (written back) for subrogation receivables accounted for 2.07%, 19.14% and (10.47%) of total operating expenses in FY2012, FY2013 and FY2014 respectively. Potential subrogation default was assessed each year end. Additional provision is charged to cover potential subrogation default risk based on assessment. Relevant provision was overcharged in FY2014, it was written back.

(c) Administrative expense

Administrative expense	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Salary and welfare expense (admin)	641	1,253	1,762
Rent	132	350	675
Depreciation (admin)	136	319	528
Staff travelling and commuting expenses	150	294	305
Office expenses	310	287	273
Business hospitality expenses	335	262	168
Professional consulting expenses	13	109	113
Other administrative expenses	296	233	295
Total administrative expense	2,013	3,107	4,119

Administrative expenses are all other expenses that are not sales related.

Administrative expenses are largely made up of salaries and wages, rent, depreciation, staff travelling and commuting expenses, office expenses and business hospitality expenses.

Salaries and wages accounted for the largest part of total administrative expenses, which amounted to 31.84%, 40.33% and 42.78% in FY2012, FY2013 and FY2014 respectively. Salaries and wages increased 95.48% and 40.62% in FY2013 and FY2014 respectively. The great increase in FY2013 is mainly due to the employment of more employees for newly established branches.

Rent accounted for 6.56%, 11.26% and 16.39% of total administrative expenses in FY2012, FY2013 and FY2014 respectively. Rent increased 165.15% and 92.86% in FY2013 and FY2014 respectively. The great increase in FY2013 and FY2014 was due to the opening up of new branches both inside and outside of Guizhou Province.

Depreciation accounted for 6.76%, 10.27% and 12.82% of total administrative expenses in FY2012, FY2013 and FY2014 respectively. Depreciation increased 134.56% and 65.52% in FY2013 and FY2014 respectively. The great increase in FY2013 and FY2014 was due to the opening up of new branches both inside and outside of Guizhou Province.

Staff travelling and commuting expenses accounted for 7.45%, 9.46% and 7.40% of total administrative expenses in FY2012, FY2013 and FY2014 respectively. The percentage remained relatively stable.

Office expenses accounted for 15.40%, 9.24% and 6.63% of total administrative expenses in FY2012, FY2013 and FY2014 respectively. Office expenses decreased year by year during FY2012 to FY2014 due to the improvement of internal control on office expenses management and the implementation of paperless offices.

Business hospitality expenses accounted for 16.64%, 8.43% and 4.08% of total administrative expenses in FY2012, FY2013 and FY2014 respectively. Business hospitality expenses decreased gradually during FY2012 to FY2014 due to the improvement of internal control on business hospitality expenses management.

(d) Finance expense

Finance expense	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Bank charges	8	10	12
Total finance expense	8	10	12

Finance expenses are mainly bank charges. No interest expenses have been incurred for PRC DSX over the years.

(e) Income tax expense

Income tax expense	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Income tax expense	373	636	1,492

The income tax rate applicable to PRC DSX was 15% in FY2012, FY2013 and FY2014 in accordance with the income tax law of the PRC and the *Great Western Development of Enterprise Income Tax Preferential Policy*.

A reconciliation of income tax expense to the accounting net profit before tax is set out below.

Reconciliation of tax expense	FY2012	FY2013	FY2014
	\$'000	\$'000	\$'000
Profit before income tax	6,207	6,447	13,337
Prima facie tax payable on profit before income tax at China tax rate of 15%	931	967	2,001
Under / (over) -provision for income tax in prior year	2	11	10
Effect of permanent difference for deductible provision	(390)	(305)	(694)
Net effect of other non- deductible expense and non- assessable income	(170)	(37)	175
Income tax expense	373	636	1,492

The permanent difference for deductible provision represents the difference between the amount of the deductible statutory provision under Chinese regulations in each respective year and the amount of provision/liabilities raised in PRC DSX's financial statements, prepared in accordance with its IFRS accounting policies and impairment assessments for guarantee contracts and subrogation receivables. The difference is treated as permanent difference because:

- (i) there is no historical pattern of evidence of guarantee losses or losses of subrogation receivables that exceed the level of the provision raised by PRC DSX in the preparation of its IFRS compliant financial statements; and
- (ii) the Chinese statutory provision for which a tax benefit has been received will not be subsequently assessable or lost if the provision is not utilised.

4.5 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

4.5.1 REVIEWED STATEMENT OF COMPREHENSIVE INCOME

The table below sets out the reviewed Statement of Comprehensive Income for the Company (i.e. not on a pro forma consolidated basis) from registration to 30 June 2015.

Reviewed Statement of Comprehensive Income	To 30 June 2015
	\$'000
Revenue	-
Other revenue	-
Operating expenses	-
Administration expenses	-
Finance costs	-
Profit before income tax expense	-
Income tax expense/(benefit)	-
Profit after income tax expense	-

Note: The above statement of comprehensive income should be read in conjunction with the accompanying Note1 – Statement of significant accounting policies.

4.5.2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

Pro Forma Consolidated Statement of Financial Position as at 30 June 2015	Note	Reviewed 30 June 2015 – Company ¹	Pro Forma Audited FY2014 – PRC DSX ²	Pro Forma Minimum Subscription ³	Pro Forma Full Subscription ⁴
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents		0.1	55,318	64,367	84,358
Trade and other receivables	4	-	22,835	22,835	22,835
Other current assets	5	-	115	115	115
Pledged bank deposits	6	-	73,468	73,468	73,468
Current tax assets	12	-	21	21	21
Total current assets		-	151,757	160,806	180,797
Non-current assets					
Trade and other receivables	4	-	4,647	4,647	4,647
Pledged bank deposits	6	-	10,878	10,878	10,878
Property, plant and equipment	7	-	1,613	1,613	1,613
Intangibles	8	-	22	22	22
Others		-	-	154	157
Total non-current assets		-	17,160	17,314	17,317
Total assets		-	168,917	178,120	198,114
Current liabilities					
Liabilities from financing guarantees	9	-	8,588	8,588	8,588
Liabilities from non-financing guarantees	10	-	2,523	2,523	2,523
Other current liabilities	11	-	8,425	8,425	8,425
Total current liabilities		-	19,536	19,536	19,536
Non-current liabilities					
Liabilities from financing guarantees	9	-	3,503	3,503	3,503
Liabilities from non-financing guarantees	10	-	2,416	2,416	2,416
Other non-current liabilities	11	-	993	993	993
Total non-current liabilities		-	6,912	6,912	6,912
Total liabilities		-	26,448	26,448	26,448
Net assets		-	142,469	151,672	171,666
Issued capital	13	0.1	82,077	92,065	112,042
Foreign currency translation reserve	14	-	30,278	30,278	30,278
Statutory reserves	14	-	1,206	1,206	1,206
Retained earnings		-	28,908	28,123	28,140
Total equity		-	142,469	151,672	171,666

The above pro forma historical statements of financial position and pro forma consolidated statement of financial position should be read in conjunction with the notes below and the accompany notes set out in Section 4.5.4.

Notes:

1. The parent company, Ding Sheng Xin Finance Co. Limited, was registered in Australia on 9 January 2015 with 100 shares and paid up capital of \$100.
2. Reflects the Pro Forma Historical Statement of Financial Position for PRC DSX as at 31 December 2014 (see Section 4.3.3), but translated using the spot rate as at 30 June 2015 (RMB 1: A\$0.2098) to provide investors with a view of the Group's financial position as at that date.
3. Reflects the impact of the following pro forma adjustments related to the Offer assuming Minimum Subscription:
 - (a) Subscription of 16,666,667 Shares at an issue price of \$0.60 each to raise \$10,000,000 before costs.
 - (b) Total expenses of the Offer of \$951,823 – \$14,286 has been directly off set against raised capital (\$11,970 net of tax) and \$937,536 has been expensed in accordance with Australian Accounting Standards.
4. Reflects the impact of the following pro forma adjustments related to the IPO assuming full subscription:
 - (a) Subscription of 50,000,000 Shares at an issue price of \$0.60 each to raise \$30,000,000 before costs.
 - (b) Total expenses of the Offer of \$951,823 – \$40,205 has been directly off set against raised capital (\$33,641 net of tax) and \$919,618 has been expensed in accordance with Australian Accounting Standards

4.5.3 PRO FORMA STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD TO 30 JUNE 2015

The table below sets out the reviewed Pro Forma Statement of Changes in Equity for the period from incorporation of the Company to 30 June 2015.

Pro Forma Statement of Changes in Equity	Issued capital	Foreign currency translation reserve	Statutory reserve	Retained earnings
	\$'000	\$'000	\$'000	\$'000
Balance at incorporation	-	-	-	-
Shares issued on incorporation – 100 Shares	0.1	-	-	-
Balance at 30 June 2015	0.1	-	-	-
Pro forma transaction				
Amounts recognised as a consequence of a common control transaction – Note 3	82,077	30,278	1,206	28,908
Issue of 16,666,667 Shares under the Offer – Minimum Subscription	10,000	-	-	-
Expenses of the offer – Note 2	(14)	-	-	(937)
Deferred tax assets associated with capital raising costs not recognised	2	-	-	152
Pro forma balance – Minimum Subscription	92,065	30,278	1,206	28,123
Issue of an additional 33,333,333 Shares under the Offer – Full Subscription	20,000	-	-	-
Additional expenses of the Offer – Note 2	(26)	-	-	17
Deferred tax assets associated with Offer costs not recognised	5	-	-	(2)
Pro forma balance – Full Subscription	112,044	30,278	1,206	28,138

The above Pro Forma Statement of Changes in Equity should be read in conjunction with the notes hereto and accompany notes set out in Section 4.5.4.

4.5.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

Note 1: Statement of Significant Accounting Policies

(a) New accounting standards and interpretations

Certain new accounting standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro forma financial information.

(b) Principle of consolidation

A controlled entity is any entity that the Company controls. The consolidated entity controls an entity when it is exposed to, or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of that entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

Common control transactions are transactions in which shareholders of the Group are the same party or parties before and after the transaction.

The share sale agreements referred to in Notice 2(a) represent common control acquisition transactions. The Company 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.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of Subsidiaries have been changed where necessary to ensure consistency with the policies applied by the parent entity.

(c) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense / (income). In accordance with the income tax law of PRC and the Great Western Development of Enterprise Income Tax Preferential Policy, the Group's main operating subsidiary, PRC DSX, is taxed at a rate of 15%.

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.

Deferred income tax expense charged to profit or loss reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(d) Incorporation

The Company was registered on 9 January 2015.

(e) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The presentational currency and the functional currency of the Group's main operating subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd, is Chinese Renminbi, and the Pro Forma Consolidated Historical Financial Information is presented in Australian Dollars, the presentational and functional currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) Group entities

Financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates;
- income and expenses are translated at average rates for the period;
- retained earnings are translated at historical average rates; and
- share capital is translated at historical spot rates.

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

(f) Revenue recognition

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) Financing guarantee fees

Where the Group issues a guarantee, the guarantee fee (being cash and/or receivable) and the payable (the financing guarantee contract liability) are both recognised at fair value.

The fair value of the guarantee is initially recognised as deferred income. Deferred income is amortised and recognised in profit or loss, as guarantee income, in line with when 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.

(ii) Non-financing guarantee fees

With respect to non-financing guarantees (which are classified as 'insurance contracts'

under IFRS 4 Insurance Contracts), guarantee fees are brought to account as income from the date of attachment of risk over periods up to 3 years based on assessment of the pattern and period of risk. The earned portion of guarantee fees is recognised as revenue. The balance of guarantee fees received is recorded as unearned guarantee fee reserve.

(iii) 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 to be recoverable.

(iv) Interest income

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

(v) 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.

(vi) Other income

All other income is recognised when there is reasonable assurance that it will be received.

(g) 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.

(h) Business combinations

The Group assesses whether a business combination is a common control transaction or a change of control transaction.

Control is assumed to exist when the parent entity: (a) owns directly, or indirectly, through other subsidiaries, more than half the voting power of the entity, unless in exceptional circumstances it can be demonstrated that such control does not exist; or (b) has the power to govern the financial and operating policies of the subsidiary entity under a statute or agreement.

Common control transactions are transactions in which all the combining entities are controlled by the same party or parties before and after the transaction and the control is not transitory. With respect to such transactions, the Group has elected to account for these transactions using

the predecessor values method. The method requires financial statements to be prepared using the predecessor book value.

Change of control transactions are accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions). The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

All transaction costs incurred in relation to a business combination are expensed in the statement of comprehensive income.

(i) Impairment of 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.

(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 financing guarantees that the Group provides to customers for their borrowing from banks.

(l) 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.

Subrogation fee receivables 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 seek repayment from customers or take possession of any assets pledged as security for the guarantee to recover the outstanding balance.

(m) 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 a debtor, and significant changes in the financial conditions 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 represent estimates of losses associated with

guarantee contracts written and subrogation fees outstanding after taking into account any expected recovery from any underlying security pledged in relation to the guarantee contracts.

Basis of provision of impairment for payment on behalf of customers

When a customer defaults on settling a loan advanced by a bank, the Group is required to honour the guarantee contract and settle the loan 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 customer’s pledged deposits received.

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 utilises 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.

(n) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 & Fittings	20~33%
Motor vehicles	20~25%

(o) 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.

(p) Financing guarantees

Financing guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee for a loss the beneficiary 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 guarantee fee (being cash and/or receivable) and the payable (the financing guarantee contract liability) are both recognised at fair value, which normally means, unless there is evidence to suggest the fair value of the financing guarantee

contract liability exceeds the fair value of the guarantee fee received, the liability is measured at the fair value of the guarantee fee. Subsequent to initial recognition, financing guarantee contracts are accounted for as follows:

- any receivable is measured at amortised cost, adjusted for any impairment losses; and
- the financing 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(m) 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 (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 arising from its outstanding guarantees issued in accordance with IAS 37 and IAS 39. If it is determined that the Group has a legal or constructive obligation arising as a result of a 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.

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

For those financing guarantees that are not considered individually significant and those financing 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 the Group’s financing guarantees are already incurred.

For the purposes of a collective evaluation of losses, financing guarantees are grouped on the basis of similar risk characteristics and the Group uses a methodology which utilises 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 weighted average length of financing guarantee contracts is 33.7 months.

(q) Non-financing guarantees

Contracts under which an entity accepts significant risk from a party (i.e. the customer) by agreeing to compensate another party (i.e. the beneficiary) if a specified uncertain future event adversely affects the beneficiary are classed as non-financing guarantees. The accounting policy for non-financing guarantees is consistent with Note 1(p).

(r) Employee benefits and entitlements

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. Other employee benefit accruals are recognised in accordance with applicable statutory or employee contractual arrangements.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Chinese VAT / Australian GST

Revenue, expenses and assets are recognised net of the amount of value added tax (**VAT**) / goods and services tax (**GST**), except where the amount of VAT / GST incurred is not recoverable from the local tax office. In these circumstances the VAT / GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT / GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT / GST components of investing and financing activities, which are disclosed as operating cash flows.

(u) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Provision of guarantee losses

The Group makes reasonable estimates on the expenses required to fulfil the relevant obligations of guarantee contracts when the Group computes the provision of guarantee losses. Such estimates are made based on the available information as at the end of each reporting period and are determined by the Group's practical experience, default history of the business, and 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 contracted 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 2014 was 19%.

Estimates of guarantee fee revenue / unearned revenue

Guarantee fees earned over periods of up to 5 years. The principal underlying earning recognition is to derive a guarantee fee earning scale that recognises the guarantee fee in accordance with incidence of claims risk.

The review of the guarantee fee earning scale is based on an analysis of the historical pattern of claims incurred and the pattern of contract cancellations. The estimate for unearned guarantee fees is established on the basis of this earning scale.

Estimate 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 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 estimate of IBNR ('Incurred But Not Reported') is generally subject to a greater degree of uncertainty than the estimate of the 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 customer 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.

Note 2: Basis of Preparation for Pro Forma Consolidated Statement of Financial Position

The Pro Forma Consolidated Statement of Financial Position has been prepared from the Historical Statement of Financial Position of the Company and the Pro Forma Historical Statement of Financial Position of PRC DSX, adjusted for the following transactions as if they had taken place on 30 June 2015:

(a) Corporate restructure of Group subsequent to 31 December 2014

Pursuant to a share sale agreement dated 8 July 2015, the Company issued 499,999,900 Shares to the then existing shareholders of HK DSX as consideration for 100% of the share capital of HK DSX. This transaction is referred to as a common control acquisition transaction. Details of the transactions are set out in Note 3.

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

(b) Assuming Minimum Subscription

The issue of 16,666,667 Shares at an issue price of \$0.60 each to raise \$10,000,000, less costs estimated to be \$951,823. \$14,286 has been directly off set against raised capital (\$11,970 net of tax) and \$937,536 has been expensed in accordance with Australian Accounting Standards.

(c) Assuming Full Subscription

The issue of an additional 33,333,333 Shares at an issue price of \$0.60 each to raise an additional \$20,000,000, less additional costs estimated to be \$8,000. Total costs associated with Full Subscription are estimated to be \$959,823, of which \$40,205 has been directly off set against raised capital (\$33,641 net of tax) and \$919,618 has been expensed in accordance with Australian Accounting Standards

Note 3: Business combinations – common control transactions

The Pro Forma Consolidated Statement of Financial Position has been:

- (a) prepared on the basis that the Company has acquired PRC DSX's assets and liabilities as noted below; and
- (b) adjusted to reflect the transaction in the share sale agreements discussed in Note 2(a).

Through this transaction, 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.

As the Company was incorporated specifically for the purpose of this transaction, and the subsequent Offer, the fair value of the equity instruments issued has been estimated by reference to the value of historical net assets for PRC DSX.

The following has been extracted from the Financial Information of PRC DSX as at 31 December 2014, converted from Chinese Renminbi to Australian Dollars using the relevant exchange rates outlined in Note 1.

The assets and liabilities of PRC DSX as at 31 December 2014 are set out below.

Assets and liabilities of PRC DSX	31 December 2014
	\$'000
Cash and cash equivalents	55,318
Trade and other receivables (current)	22,835
Other current assets	115
Pledged bank deposits (current)	73,468
Current tax assets	21
Trade and other receivables (non-current)	4,647
Pledged bank deposits (non-current)	10,878
Plant and equipment	1,613
Intangibles	22
Liabilities from financing guarantees (current)	(8,588)
Liabilities from non-financing guarantees (current)	(2,523)
Other current liabilities	(8,425)
Liabilities from financing guarantees (non-current)	(3,503)
Liabilities from non-financing guarantees (non-current)	(2,416)
Other non-current liabilities	(993)
Total net assets acquired	142,469
Accounted for as:	
Issued capital ¹	82,077
Foreign currency translation reserve	30,278
Statutory reserves	1,206
Retained earnings	28,908
	142,469

Notes:

- Pursuant to IFRS, the amount of capital paid for PRC DSX is RMB 500 million. The conversion of RMB to AUD is at the spot exchange rates applicable on the date of the respective capital injections.

Note 4: Trade and other receivables

Trade and other receivables	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Current			
Guarantee fee receivable ¹	-	2,088	2,088
Subrogation receivables ²	-	7,849	7,849
Less: allowance for doubtful debts ³	-	(392)	(392)
	-	9,545	9,545
Other receivables ⁴	-	5,240	5,240
Related party receivable ⁵	-	665	665
Financing guarantee fees receivable ⁶	-	5,998	5,998
Non-financing guarantee fees receivable ⁶	-	1,387	1,387
Total current trade and other receivables	-	22,835	22,835
Non-current			
Other receivables ⁴	-	180	180
Financing guarantee fees receivable ⁶	-	3,307	3,307
Non-financing guarantee fees receivable ⁶	-	1,160	1,160
Total non-current trade and other receivables	-	4,647	4,647

Notes:

- Guarantee fee receivables represent fee income receivable from customers.
- Subrogation receivables represent payment made by the Group to reimburse the beneficiary of a guarantee for a loss the customer incurred because it failed 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 financing guarantee contracts it enters into. Subrogation receivables are interest bearing and the Group holds certain collaterals over certain customers
- 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.
- Other receivables mainly represents unsecured loans to employees of the Group and to external third parties.
- Related party balances comprise related party loans to Shareholders. No specific terms and no interest is charged to related parties.⁸
- Financing guarantee fees receivable and non-financing guarantee fees receivable represent the present value of future cash flows in relation to existing contracts.

The ageing analysis of trade debtors and payments on behalf of customers that are neither individually nor collectively considered to be impaired is set out below.

Trade debtors	\$'000
Neither past due nor impaired	13,838
Less than 3 months past due	845
More than 3 months but less than 12 months past due	5,943
More than 12 months	771
	21,397

⁸ All related party loans have been fully repaid and discharged since 31 December 2014 and there are no related party loans on foot at the date of this Prospectus.

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.

Note 5: Other current assets

Other current assets	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current

Prepayment	-	115	115
Total other current assets	-	115	115

Other current assets comprise of prepayment for office decoration and rental expense as at year end.

Note 6: Pledged bank deposits

Pledged bank deposits	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current	-	73,468	73,468
Non-current	-	10,878	10,878
Total pledged bank deposits	-	84,346	84,346

Pledged bank deposits represent the deposits pledged to banks for the financing guarantees that the Group provides to the customers for their borrowing from banks. The pledged bank deposits are restricted and not available for use by the Group use over the terms of the borrowings.

Note 7: Property, plant and equipment

Property, plant and equipment	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Furniture and fittings			
At cost	-	290	290
Accumulated depreciation	-	(106)	(106)
Total furniture and fittings	-	184	184
Office equipment			
At cost	-	645	645
Accumulated depreciation	-	(368)	(368)
Total office equipment	-	277	277
Motor vehicles			
At cost	-	1,950	1,950
Accumulated depreciation	-	(798)	(798)
Total motor vehicles	-	1,152	1,152
Total property, plant and equipment	-	1,613	1,613

Note 8: Intangibles – Computer software

Intangibles – Computer software	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Computer software	-	27	27
Accumulated amortisation	-	(5)	(5)
Total intangible assets	-	22	22

Note 9: Liabilities from guarantees

Liabilities from guarantees	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current

Deferred income – Financing guarantee contracts	-	8,068	8,068
Provision for guarantee losses	-	520	520
Total current liabilities from guarantees	-	8,588	8,588

Non-current

Deferred income – Financing guarantee contracts	-	3,503	3,503
Total non-current liabilities from guarantees	-	3,503	3,503

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

Note 10: Liabilities from non-financing guarantees

Liabilities from non-financing guarantees	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current

Deferred income – Other guarantee	-	2,364	2,364
Unexpired risk liability	-	159	159
Total current liabilities from non-financing guarantees	-	2,523	2,523

Non-current

Deferred income – Other guarantee	-	2,416	2,416
Total non-current liabilities from non-financing guarantees	-	2,416	2,416

Note 11: Other liabilities

Other liabilities	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current

Employee benefits and entitlements	-	640	640
Other payables	-	6,162	6,162
Related party payable	-	1,623	1,623
Total other current liabilities	-	8,425	8,425

Non-current

Other payables	-	993	993
Total non-current liabilities	-	993	993

The majority of the balances of other payables are in relation to short-term expense re-imbursements due to employees (branch managers) and loans from external parties.

Note 12: Current tax asset

Current tax asset	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000

Current

Income tax asset – prepaid company income tax	-	21	21
Total tax assets	-	21	21

The current tax asset represents the income tax overpaid as at 31 December 2014.

Note 13: Issued capital

Issued capital	No. of Shares issued	\$'000
Shares on issue at 30 June 2015 – 100 Shares	100	0.1
Pro forma transactions		
- Issue of 499,999,900 Shares for the acquisition of PRC DSX1	499,999,900	82,077
- Issue of 16,666,667 Shares under the Offer	16,666,667	10,000
Less Offer costs (net of tax effect)	-	(12)
Pro forma issued capital – Minimum Subscription	516,666,667	92,065
- Issue of additional 33,333,333 Shares under the Offer	33,333,333	20,000
Less Offer costs (net of tax effect)	-	(23)
Pro forma issued capital – Full Subscription	550,000,000	112,042

Note: As set out in Note 1(h), the Company has adopted the common control method for the acquisition of PRC DSX, whereby the issued capital is recognised in accordance with the contributed capital as recorded in the financial statements of PRC DSX.

Note 14: Reserves

Reserves	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Foreign currency translation reserve	-	30,278	30,278
Statutory reserve ¹	-	1,206	1,206
Total reserves	-	31,484	31,484

Note: Pursuant to the current PRC Company Law, the Group is required to transfer 5% to 10% of PRC DSX's profit after taxation to a restricted non-distributable statutory reserve until the surplus reserve balance reaches a minimum of 50% of the registered capital.

Note 15: Controlled entities

Entity	Registration date	Country of registration	Pro-forma equity holding
Ultimate holding company			
Ding Sheng Xin Finance Co. Limited	9 Jan 2015	Australia	
Subsidiary of Ding Sheng Xin Finance Co. Limited			
China Ding Sheng Xin Holdings Limited	6 Jun 2013	Hong Kong	100%
Subsidiary of China Ding Sheng Xin Holdings Limited			
Guizhou Ding Sheng Xin Long Asset Management Co., Ltd	28 Apr 2015	PRC	100%
Subsidiary of Guizhou Ding Sheng Xin Long Asset Management Co., Ltd			
Ding Sheng Xin Financing Guarantee Co., Ltd	18 Aug 2005	PRC	100%

Note 16: Commitments**(a) Capital commitments**

As at 30 June 2015, the Group is not aware of any capital commitments that should be disclosed.

(b) Operating commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements are set out below.

Non-cancellable operating leases	Reviewed	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Payable — minimum lease payments			
Not later than 12 months	-	752	752
Between 12 months and 5 years	-	1,583	1,583
Greater than 5 years	-	-	-
Total reserves	-	2,335	2,335

Note 17: Contingent assets and liabilities

As at 30 June 2015, the Group is not aware of any contingent assets or liabilities that should be disclosed in accordance with IAS 37.

Note 18: Subsequent events

The Group is not aware of any subsequent events, other than those pro forma transactions set out in Note 2.

5. INVESTIGATING ACCOUNTANT'S REPORT



28 August 2015

The Directors
Ding Sheng Xin Finance Co. Limited
Suite 25, 145 Stirling Highway
Nedlands WA 6009

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

INDEPENDENT LIMITED ASSURANCE REPORT ON DING SHENG XIN FINANCING CO. LIMITED

1. Introduction

Ding Sheng Xin Finance Co. Limited (ACN 603 612 479) (**Company**) has authorised the issue of a Prospectus, dated 28 August 2015, for the issue of between 16,666,667 and 50,000,000 ordinary shares in the Company at an issue price of AUD \$0.60 per share to raise between AUD \$10 and 30 million (**Offer**) and the subsequent listing of the Company's shares on the Australian Securities Exchange (**ASX**).

The Company has engaged Nexia Melbourne Pty Ltd (**Nexia**) to report on the Pro Forma Historical and Pro Forma Consolidated Historical Financial Information for inclusion in the Prospectus in respect of the Offer.

Details concerning the operations and objectives of the Company are set out in Section 3 of the Prospectus. The principal purposes of the Offer are set out in Section 1.4 of the Prospectus.

Expressions and terms defined in the Prospectus have the same meaning in this Report, unless the context otherwise requires.

The nature of this Report is such that it can only be issued by an entity that holds an Australian Financial Services Licence under the *Financial Services Reform Act 2001* (Cth). Nexia holds the appropriate Australian Financial Services Licence. Nexia's Financial Services Guide is attached as **Appendix A** to this Report.

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Independent member of Nexia International



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2. Scope

You have requested Nexia to review the following financial information included in the Prospectus:

- a) Pro Forma Historical Financial Information of Ding Sheng Xin Financing Guarantee Co. Ltd, a company incorporated and domiciled in the PRC (**PRC DSX**), as set out in Section 4.3; and
- b) Pro-Forma Consolidated Historical Financial Information of the Company assuming completion of the acquisition¹ of PRC DSX and the Offer, as at 30 June 2015, as set out in Section 4.5

Collectively referred to as the **Financial Information**. The stated basis of preparation of the Financial Information is:

a) **Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information, detailed in Section 4.3 of the Prospectus comprises the Historical Statements of Financial Performance, Historical Statements of Financial Position, and Historical Statements of Cash Flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 of PRC DSX, restated and presented in Australian dollars at applicable exchange rates for the relevant periods.

The Pro Forma Historical Financial Information has been extracted from the audited financial statements of PRC DSX prepared in accordance with International Financial Reporting Standards (**IFRS**) and denominated in RMB, its functional currency. Those financial statements were audited by Moore Stephens in accordance with Australian Auditing Standards and on which unqualified audit opinions were issued, except in respect of the 2012 financial statements. A qualified audit opinion was issued for the year ended 31 December 2012 in relation to the following matter:

"The 2012 financial statements of the company (PRC DSX) do not disclose 2011 comparative figures as required by 'International Financial Reporting Standard 1: First-time Adoption of International Financial Reporting Standards'. We were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows."

The management discussion and analysis set out in Section 4.4 of the Prospectus does not form part of Pro Forma Historical Financial Information and does not form part of the scope of our review.

b) **Pro Forma Consolidated Historical Financial Information**

The Pro Forma Consolidated Historical Financial Information detailed in Section 4.5 of the Prospectus comprises the Statement of Comprehensive Income, the Historical Statement of Financial Position, the Consolidated Historical Statement of Financial Position and the Pro Forma Statement of Changes in Equity of the Company as at 30 June 2015 after accounting for the effects of the events and transactions described in Section 4.5.2 of the Prospectus,

¹ As stated in Note 3 Statement of Significant Accounting Policies in Section 4.5 of the Prospectus, the acquisition of PRC DSX by the Company is accounted for as an AASB3 Business Combination, "common control transaction" whereby following the reconstruction there is no change in underlying control.

including the acquisition of PRC DSX and completion of the Offer, as if those events and transactions had occurred at that date.

The Financial Information is presented in the Prospectus in an abbreviated form, in so far as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

3. Directors' Responsibility

The Directors of the Company are responsible for the preparation of the Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments included in the Pro Forma Consolidated Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

We have assumed, and relied on representations from the Directors, that all material information concerning the Company, the Financial Information and the pro forma transactions as set out in the Prospectus have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Financial Information, and the reasonableness of the Financial Information, based on our review. We have conducted our engagement in accordance with Australian Auditing and Assurance Standards applicable to assurance engagements².

Our limited assurance procedures consisted of examining work papers prepared by and making enquiries of the auditors and other persons responsible for financial and accounting matters, reviewing the Prospectus Due Diligence Committee minutes of meetings, disclosures made in the Prospectus and other review procedures. A limited assurance engagement is substantially less in scope than an audit in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

5. Conclusions

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Financial Information, as described in Sections 4.3 and 4.5 of the Prospectus, and comprising:

- a) Pro Forma Historical Financial Information of PRC DSX, which comprised of the Pro Forma Historical Statements of Financial Performance, Pro Forma Historical Statements of Financial Position, and Pro Forma Historical Statements of Cash Flows for the years ended

² Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*

31 December 2012, 31 December 2013 and 31 December 2014 restated in Australian dollars, as set out in Section 4.3; and

- b) Pro Forma Consolidated Historical Financial Information of the Company, which comprised of the Statement of Comprehensive Income, the Historical Statement of Financial Position, the Consolidated Historical Statement of Financial Position and the Pro Forma Statement of Changes in Equity assuming completion of the acquisition of PRC DSX and the Offer, as at 30 June 2015, as set out in Section 4.5,

is not prepared fairly, in all material respects, in accordance with the basis of preparation as stated in Section 4.1 and 4.2 of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we note that the purpose of the Financial Information is for inclusion in the Prospectus to assist investors in assessing the Offer. As a result, the Financial Information may not be suitable for use for other purposes. We disclaim any assumption of responsibility for any reliance on this Report, or the Financial Information to which it relates, for any purposes other than for which it was prepared.

7. Consent

Consent to the inclusion of this Limited Assurance Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

8. Liability

The Company has agreed to indemnify and hold harmless Nexia and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Company to Nexia for the purposes of preparation of this Report and the Prospectus.

9. Independence or Declaration of Interest

Neither Nexia nor its directors or employees has any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on this matter.

During the last 2 years Nexia has not provided any professional services to the Company or other entities associated with its directors or shareholders. Neither Nexia nor its directors or employees has any interest in the outcome of the Offer other than in the preparation of this Report for which normal professional fees will be received in accordance with its normal fee billing arrangements.

Yours faithfully

Nexia Melbourne Pty Ltd

Holder of Australian Financial Services Licence No: 247262



GARY GRACO

Director & Authorised Representative

APPENDIX A - Nexia Melbourne Pty Ltd Financial Services Guide

**This Financial Services Guide is dated 28 August 2015
and forms part of the Investigating Accountant's Report.**

Nexia Melbourne Pty Ltd (ACN 052 362 348) (**Nexia**) holds Australian Financial Services Licence no. 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by Ding Sheng Xin Finance Co. Limited (**Company**) to provide a report in the form of an Independent Limited Assurance Report (**Report**) for inclusion with the Prospectus issued by the Company on 28 August 2015 to potential investors considering investing in the Company.

The *Corporations Act 2001* (Cth) requires Nexia to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by the Company in conjunction with this Report or the Offer. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report, Nexia will receive a fee of up to \$35,000 plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Nexia or other associated entities may receive distributions, salary or wages from Nexia. Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the *Corporations Act 2001* (Cth).

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us by writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

6. RISK FACTORS

As with any share investment, there are risks involved. This section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its shareholders are exposed. Investors should read the entire Prospectus and consult their professional adviser before deciding whether to apply for Shares.

6.1 INDUSTRY RISKS

6.1.1 ECONOMIC CONDITIONS

The guarantee services industry in the PRC is affected by various economic factors that are beyond the Company's control, including:

- the performance of the economy in the PRC and globally;
- the level of investment in the PRC and demand for guarantee services generally;
- the property market;
- the urbanisation rate in the PRC;
- monetary policy and interest rates in the PRC;
- fiscal policy in the PRC including government spending on public infrastructure, and subsidies and tax relief for guarantee companies; and
- the willingness of financial institutions in the PRC to lend money.

As discussed in Section 6.2.1, there is significant uncertainty surrounding the future of the economy in the PRC and globally. Adverse developments in economic factors such as those listed above are likely to have a detrimental impact on the Company's performance and its Share price.

Further, if economic conditions deteriorate in the PRC then the Company's exposure to default risk will increase which may in turn impact on the Company's profitability (see Section 6.1.2 for further information).

6.1.2 CUSTOMER DEFAULT RISK

As a guarantee service provider, the Company's role is essentially to guarantee the obligations of its customers' under loans and other arrangements. Accordingly, the Company is exposed to the risks associated with the customer defaulting on its obligations. In the event of default, the Company assumes responsibility for the customer's obligations which generally requires the Company to make a payment to a bank or other party. Relying on its counter-security measures discussed in Section 3.4, the Company will then seek to recover its loss from the customer through debt recovery and, if necessary, legal proceedings.

However, there is no guarantee that the Company will be able to recover its loss in full or at all. For example, a customer may simply not have sufficient assets to repay the Company. Further, protections offered by contractual laws in the PRC and the enforcement of these protections may not be as effective as in some other countries. The Company may need to resort to litigation to enforce the contractual obligations of its customers who default. Such litigation could result in substantial costs and a diversion of the Company's resources.

Based on its total guarantee balance (i.e. the aggregate value of obligations secured by the Company) in 2014, the most common industries in which the Company's customers operate are wholesale and retailing, manufacturing and processing, and financial services. Accordingly, if economic conditions adversely impact these industries, then the risk profile of customers from these industries will naturally increase.

As discussed in Section 6.2.1, there is considerable uncertainty about the future of the Chinese economy. If economic conditions in the PRC deteriorate then this may affect the ability of the Company's customers to make repayments or otherwise performance their obligations. This would in turn increase

the likelihood of the Company's customers defaulting, requiring the Company to assume the liabilities.

The Company has established strong risk management processes in order to mitigate its exposure to customer default risk and other risks (see Section 3.5 for more information). Despite this, the nature of the Company's business is such that it will always be susceptible to customer default risk.

6.1.3 INCREASED MARKET SUPERVISION

Policy makers in the PRC have indicated that they will continue to increase their supervision of the guarantee services industry. The financing guarantee industry was standardised in 2010 through the introduction of the Interim Measures. Among other things, the Interim Measures imposed certain requirement on financing guarantee companies, including in relation to licensing and minimum registered capital levels (see Section 2.5 for more information). The Company considers it likely that regulations will similarly be implemented to regulate the non-financing guarantee industry.

It is possible that increased supervision and the introduction of new regulations in the guarantee industry will create financial or time-consuming obligations on the Company. This could divert resources of the Company away from its business operations, which may in turn affect the performance of the Company.

However, increased supervision and new regulations may also be a positive thing for the Company, as they have been in the past by creating barriers to prospective new entrants to the industry, and strengthening the image of the guarantee industry.

6.1.4 MAGNIFICATION LEVELS

One important restriction imposed by the Interim Measures on a financing guarantee company is that its financing guarantee balance (i.e. the aggregate amount of money secured by financing guarantees provided by the guarantee company) must not be more than 10 times its net assets. A guarantee company's financing guarantee balance divided by its net assets is referred to as its 'Magnification'. However, most banks in the PRC require a guarantee company to have a Magnification which is less than 5 to 6 times its net assets.

The Company's Magnification at 31 December 2014 was 4.84, and is therefore nearing its limit. The impact of this has seen the Company temporarily suspend operations at its Qianxinan branch. As discussed in Section 3.8.1, one of the key purposes of the Offer is for the Company to receive an injection of capital through the funds raised under the Offer, which will in turn lower the Company's Magnification and enable it to provide more financing guarantee services.

Further, by listing on the ASX the Company will have access to equity capital markets to increase its net assets in the future for expansion. However, there is no guarantee that the Company will be able to raise capital on reasonable terms or at all. Further, additional capital raisings may have a dilutionary effect on Shareholders.

6.1.5 GOVERNMENT SUBSIDIES

Since 2011, the Company has received RMB 23.7 million (approximately A\$3.9 million) in subsidies from the government in Guizhou Province, with the most recent being a grant of RMB 7 million (approximately A\$1.3 million) in December 2014.⁹ These subsidies were provided to the Company as part of the government's mandate to support the growth of SMEs and the guarantee industry (see Section 2.6.2 for further information), and the Company has been able to use these funds for growth. No assurance can be given that the Company will receive further government subsidies in the future.

6.1.6 COMPETITION RISK

In 2013, there were approximately 8,185 financing guarantee companies in the PRC. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will not be able to influence or control the activities or actions of its competitors. Such activities or actions may, positively or negatively, affect the operating and financial performance of the Company.

⁹ The RMB figures in this sentence have been converted into AUD in accordance with the relevant year end average exchange rates set out in Section 4.2.3

6.2 PRC RISKS

6.2.1 UNCERTAINTY IN THE ECONOMY

The Company conducts its business operations in the PRC. Accordingly, the Company's results of operations, financial condition and prospects are significantly dependent on economic and political developments in the PRC. Although the Chinese economy has experienced significant growth in the past 30 years, that growth has slowed in recent years. The Company cannot assure investors that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on its business and results of operations.

According to the Reserve Bank of Australia in its *Statement on Monetary Policy* released in August 2015, there is significant uncertainty surrounding the trajectory for growth and macroeconomic policy in the PRC. The recent volatility in the Chinese equity market and the government's policy response have both increased the general level of uncertainty regarding the economic outlook in the PRC. More uncertainty has been created by the devaluation of China's currency in August 2015, which is believed to have been done by the Chinese government to prevent its economy from slowing further by making its exports cheaper.

The uncertainty surrounding the economy in the PRC makes it difficult for the Company to foresee and manage risks. A significant deterioration of economic conditions in the PRC may have a negative impact on the performance of the Company and the value of its Shares.

6.2.2 GOVERNMENT ROLE

The PRC government exercises significant control over its economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy, and preferential treatment to particular industries or companies. Certain measures adopted by the Chinese government may restrict loans to certain industries, such as changes in the statutory deposit reserve ratio and lending guidelines for commercial banks by the People's Bank of China (**PBOC**). These current and future government actions could materially affect the Company's liquidity, access to capital, and ability to operate its business.

In response to the global financial crisis and economic downturn in 2008, the Chinese government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC statutory deposit reserve ratio and lowering benchmark interest rates. However, it is unclear whether such measures will be effective in sustaining stable economic growth in the future in the PRC.

If economic growth in the PRC continues to slow then this could lead to reduced demand for the Company's services, which could materially and adversely affect the Company's performance and Share price.

6.2.3 LEGAL SYSTEM AND LEGAL RISKS

The Company's operations in the PRC are governed by PRC laws and regulations. The Company's PRC Subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign investment in the PRC.

The legal system in the PRC is based on the Chinese Constitution and is made up of written laws, regulations, circulars and directives. The Chinese government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the Chinese economy tends to grow at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement of such laws and regulations, are still subject to policy changes. The introduction of new laws, changes to existing laws and the interpretation or application of laws, or the delays in obtaining approvals from the relevant authorities, may have an adverse impact on the Company's business or operations.

Further, precedents on the interpretation, implementation and enforcement of the Chinese laws and regulations are limited and, unlike other common law countries such as Australia, decisions on precedent cases are not binding on lower courts. As such, the outcome of litigation may not be consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift or equitable

enforcement of the laws in the PRC, or obtain enforcement judgment by a court of another jurisdiction.

The legislative trend in the PRC in recent years has been to enhance the protection afforded to foreign investment and to allow for more active control by foreign parties of foreign invested enterprises. However, there is no assurance that such a trend will continue. Any restrictive rules against foreign investments may severely affect the Company's ability to expand its operations in the PRC.

6.2.4 PAYMENT OF DIVIDENDS FROM PRC SUBSIDIARIES

The Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. As the Company receives all of its revenues in RMB, the Company relies principally on dividends from its PRC Subsidiaries to fund any cash and financing requirements the Company may have. The inability of the PRC Subsidiaries to distribute dividends or other payments to the Company could materially and adversely affect the Company's ability to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends, or otherwise fund and conduct its business.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange (**SAFE**), by complying with certain procedural requirements. Therefore, the PRC Subsidiaries are able to pay dividends in foreign currencies to the Company without prior approval from SAFE by complying with certain procedural requirements. For conversion of RMB into foreign currency and remittance out of the PRC to pay for capital items such as repatriation of capital, securities investments and repayment of loans, approval from or registration with SAFE or its local branches is required.

Current Chinese regulations permit the PRC Subsidiaries to pay dividends only out of accumulated after-tax profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, the PRC Subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, in the future, if the PRC Subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to the Company.

6.2.5 TAX TREATY BENEFITS

Pursuant to the arrangement between the PRC and the Hong Kong Special Administrative Region for the *Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes* which came into effect on 27 September 2006, and the *Notice of the State Administration of Taxation on How to Understand and Determine "Beneficial Owner" in Tax Agreements* issued by the State Administration of Taxation on 27 October 2009, the withholding tax rate on the dividend distribution by the foreign investment enterprise will be a preferential tax rate of not more than 5% of the total dividend declared if the "Beneficial Owner" of the dividends is a company that holds directly at least 25% of the share capital of the Company paying the dividend.

According to the *Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties* which came into effect on 20 February 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds of 25% at all times during the 12 consecutive months preceding the receipt of the dividends. In the event that a company is not considered to be a "Beneficial Owner" of the dividends, the preferential tax rate of not more than 5% does not apply and the withholding tax rate will be 10% instead.

In the event that the Company is not deemed to be the "Beneficial Owner" of the dividends distributed and the Company is subject to a withholding tax rate which is higher than the preferential tax rate of not more than 5%, it may limit the amount of dividends declared by the PRC Subsidiaries. Further, there is no assurance that the Chinese and Hong Kong governments will not amend the above treaty, or that the Company will continue to be deemed to be the "Beneficial Owner" of the dividend by the local tax authorities and be entitled to the preferential tax rate of not more than 5%.

6.2.6 USE OF PROCEEDS

To use the proceeds from the Offer in the manner described in this Prospectus, as an offshore holding company of the PRC Subsidiaries, the Company may provide loans to its PRC Subsidiaries or make additional capital contributions to them. Although there are currently no formal loan arrangements in place, any loans between the Company and its PRC Subsidiaries would be on simple terms that are

considered customary for loans between a parent company and its wholly owned subsidiary. Any loans to the PRC Subsidiaries are subject to relevant registration under PRC regulations, and capital contributions must be approved by the local branches of SAFE or the commercial authorities.

The Company cannot assure investors that it will be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by it to its PRC Subsidiaries. If the Company fails to obtain such approvals, the Company's ability to use the proceeds from the Offer as intended will be affected, and this could adversely affect the Company's ability to carry out its business strategies and expand its operations in the PRC.

6.3 OTHER SPECIFIC RISKS

6.3.1 UNREGISTERED SECURITIES

As noted in Section 3.4.3, the Company will often enter into mortgage and pledge contracts with its customers (and/or their associates) to further secure the performance of the customer's obligations under the counter-security contract. However, the process for registering security interests in the PRC is time consuming and costly and, as a result, many of the Company's security interests have not been registered.

The Company considers that the decision on whether to register a security interest is a commercial decision which it assesses in light of the risk profile of the customer, the amount being guaranteed by the Company, whether there are any pre-existing securities registered over the asset, and the time and cost involved in registering the security interest in the PRC.

Although it is considered standard practice for guarantee companies in the PRC not to register all of their security interests, it does create risks for the security holder. For example, the Company may lose its priority to proceeds if another party subsequently registers its security interest. This may prevent the Company from being able to recover the amount of its claim against the customer. Further, if the security is not registered on the title of the relevant asset and the customer sells the asset to a bona fide purchaser, this may cause the Company to lose any rights to the asset. Registration of the security interest may prevent dealings on the asset, or may otherwise enable the Company to retain rights to the asset despite the sale to a third party.

For security interests that have not been registered, the Company still retains its contractual rights under the relevant security contract. Therefore, the Company can still bring a claim against the defaulting customer under the security, which may include for the purposes of exercising any rights of power of sale over the relevant asset. However, rights to the relevant asset (such as a power of sale) may be defeated by a third party bona fide purchaser as noted above.

Therefore, by failing to register most of its security interests, the risk that the Company will not be able to recover amounts from customers who default on their obligations is increased, which may negatively impact on the Company's performance.

As discussed in Section 3.5, the Company has established and implemented robust risk management systems which include ongoing monitoring of its customers after the guarantee is entered into. This assists the Company with identifying any changes to the customer's risk profile which may prompt the Company to register any unregistered security interests. The Company experiences very few defaulting customers, with the percentage of financing guarantees that the Company was required to pay due to customer default being 1.21% in 2014.

6.3.2 EXPIRY OF ESCROW

ASX may determine that all 14 existing Shareholders, representing 96.8% (assuming Minimum Subscription) or 90.9% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer, are required to be held in escrow for a period of 12 or 24 months. In the event ASX does not impose mandatory escrow on the Company's Shares, the Company will instead enter into voluntary escrow agreements with its 2 major Shareholders, Grandeur Times Limited and Next Triumph Limited. This will result in 323,350,000 existing Shares, representing 62.6% (assuming Minimum Subscription) or 58.8% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer, being held in escrow for a period of 24 months.

Following the end of these escrow periods a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price. Please see in Section 1.7 for further information on escrow arrangements.

6.3.3 TRADE LIQUIDITY

A high proportion of Shares will be subject to escrow following completion of the Offer (see Sections 1.7 and 6.3.2 for further information). This poses a risk that illiquidity in the trading of the Shares will arise and that Shareholders may be unable to sell their investment due to limited demand for the Shares, or may only be able to sell their Shares in small parcels. An illiquid market is likely to have an adverse impact upon the Share price.

6.3.4 CONCENTRATION OF OWNERSHIP OF SHARES

Upon completion of the Offer, Grandeur Times Limited will hold 211,100,000 Shares representing 40.9% (assuming Minimum Subscription) or 38.4% (assuming Full Subscription) of the Shares and voting rights in the Company. Further, Next Triumph Limited will hold 112,250,000 Shares representing 21.7% (assuming Minimum Subscription) or 20.4% (assuming Full Subscription) of the Shares and voting rights in the Company. Grandeur Times Limited is 100% owned by Managing Director and Chief Executive Officer, Mr Guo Zhenhua, and Next Triumph Limited is 100% owned by Executive Director and Chief Operating Officer, Ms Tang Wenfeng.

Although they are not considered to be associates of one another, each of these Shareholders individually would exert significant influence over matters requiring the approval of Shareholders, including the election of directors, and in doing so may not vote in the interests of other minority Shareholders. This concentration of ownership could also discourage, delay or prevent a takeover offer for, or other change in control of, the Company which may deprive Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company.

6.3.5 GROWTH MANAGEMENT

The Company has grown considerably in recent years. As discussed in Section 3.8.2, one of the Company's strategies moving forward is to continue to expand by establishing new branches throughout the PRC. This expansion plan may place significant strain on the Company's managerial, operational and financial resources. Although the Company considers its defined business structure can be efficiently replicated in new branches, the Company cannot give assurance that its personnel, systems, procedures and controls will be adequate to implement its business plans or support future growth.

6.3.6 DEPENDENCE ON MANAGEMENT TEAM

The success of the Company has been in large part due to the talent, effort, experience and leadership of its senior management team, in particular, the leadership of Mr Guo Zhenhua and Ms Tang Wenfeng. Although the Company has entered into indefinite employment agreements with its Managing Director and Executive Director (see Section 8.1 for a summary of the agreements), there is no assurance that such agreements will not be terminated or breached.

6.3.7 FOREIGN EXCHANGE RISKS

The Company's costs and expenses in the PRC are denominated in RMB. Accordingly, the depreciation and/or the appreciation of the RMB relative to the Australian currency would result in a translation loss on consolidation which is taken directly to shareholder equity. In addition, after listing, the Company's financial reports will be denominated in Australian currency. Any depreciation of the RMB relative to the Australian dollar may result in lower than anticipated revenues or profits.

The Company will be exposed to foreign exchange risks between the Australian dollar and the RMB on an ongoing basis and, accordingly, it will have to continuously monitor this risk. Any change in the ability to convert the RMB to Australian dollars due to currency control may have an adverse effect on the financial position of the Company from time to time.

6.3.8 QUALIFIED AUDITOR'S OPINION FOR FY2012

The Company notes that Moore Stephens Assurance Adelaide Pty Ltd (Auditor) was appointed as the auditor of PRC DSX in 2014. The FY2012 financial statements of the company do not disclose FY2011 comparative figures as required by *'International Financial Reporting Standard 1: First-time Adoption of International Financial Reporting Standards'*, meaning that the Auditor was unable to determine whether any adjustments might have been found necessary in respect of the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

Therefore, the Auditor's opinion on the FY2012 financial statements for PRC DSX has been qualified accordingly. The Auditor's opinions on the financial statements for FY2013 and FY2014 were unqualified.

Information contained in the audited accounts for PRC DSX for FY2012, FY2013 and FY2014 has been reproduced in Section 4. Investors should take the qualified audit opinion for FY2012 and any associated risks into consideration when deciding whether or not to invest in the Company.

6.3.9 INSURANCE COVERAGE

The Company faces various risks in its business and it may lack adequate insurance coverage or insurance coverage may otherwise not be available to protect against these risks. The Company maintains motor vehicle insurance and social insurance in compliance with PRC regulations (including pension fund, unemployment, medical, work related injury and maternity insurance). However, as is usual in the PRC, the Company does not maintain professional indemnity insurance, business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, its financial performance will be adversely affected.

6.4 GENERAL RISKS

6.4.1 CHANGES TO LEGISLATION OR REGULATIONS

The Company may be affected by changes to government policies and legislation (both Australian and in foreign jurisdictions including, but not limited to, Hong Kong and the PRC) concerning property, the environment, superannuation, taxation and the regulation of trade practices and competition, government grants and incentive schemes. These changes in legislation or regulation, or changes to accounting rules, could have adverse impacts on the Company from a financial and operational perspective. The Company's primary assets and business interests are in Australia and the PRC and changes to the legislation or regulations of these countries could have an adverse impact on the Company's operations, profitability or prospects.

6.4.2 FUTURE FUNDING REQUIREMENTS

Future funding may be required by the Company to support its ongoing activities and operations, or to fund expansion and investments. There is no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will likely have an adverse effect on the Company and its performance.

6.4.3 INVESTMENT RISK

The Shares to be issued under the Offer should be considered highly speculative. There is no guarantee as to the payment of dividends, return of capital or the market value of the Shares from time to time. The price at which an investor is able to trade the Shares may be above or below the price paid for Shares under the Offer. Whilst the Directors commend the Offer, investors must make their own assessment of the risks and determine whether an investment in the Company is appropriate in their own circumstances.

6.4.4 SHARE MARKET

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors including the following:

- the general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- terrorism and other hostilities; and
- other factors beyond the control of the Company.

6.4.5 ECONOMIC CONDITIONS

The performance of the Company may be significantly affected by changes in economic conditions, and particularly conditions which affect the guarantee services industry in the PRC. Changes in economic conditions such as inflation, exchange rates and interest rates could affect the ability of the Company to operate and may increase its costs of operating. Adverse economic conditions, including economic recession, may have a negative impact on the Company's ability to raise capital.

The Company's profitability and the market price of its Shares can be affected by these factors, which are largely beyond the control of the Company. See Section 6.1.1 for information on the uncertainty of economic conditions in the PRC and economic factors relevant to the guarantee industry in the PRC.

6.4.6 FORCE MAJEURE RISK

Events may occur within or outside the markets in which the Company operates that could impact upon the global, Australian and Chinese economies, the operations of the Company and the market price of its Shares. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labor strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. Given the Company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially adversely affected if any of the events described above occurs.

6.5 OTHER RISKS

This list of risk factors above is not an exhaustive list of the risks faced by the Company or by investors in the Company. The risk factors described in this Section 6 as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares. Therefore, the Shares offered under the Offer carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares under the Offer.

7. KEY PERSONS AND CORPORATE GOVERNANCE

7.1 BOARD OF DIRECTORS

The Board is responsible for:

- setting and reviewing strategic direction and planning;
- reviewing financial and operational performance;
- identifying principal risks and reviewing risk management strategies; and
- considering and reviewing significant capital investments and material transactions.

Collectively, the Directors have significant experience in the guarantee services industry, as well as the finance, accounting and legal industries. Brief profiles of the Directors are set out in Section 7.2.

7.2 DIRECTOR PROFILES

Mr Guo Zhenhua

Managing Director
Chief Executive Officer

Mr Guo Zhenhua has over 20 years of operations and management experience in the guarantee services industry. He obtained a Master of Laws from the Southwest Politics and Law University in the PRC, and a Master of Business Administration from the University of Illinois in the United States.

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 businesses including a guarantee company.

Mr Guo has acted as the Chairman and Chief Executive Officer of Ding Sheng Xin Financing Guarantee Co., Ltd since its inception.

As CEO of the Group, Mr Guo is primarily in charge of the Group's strategic planning, fund raising and management.

Mr Guo was appointed as a Director on 9 January 2015.

Ms Tang Wenfeng

Executive Director
Chief Operating Officer

Ms Tang Wenfeng graduated from Yunnan University in China in 2002, majoring in Economics. From 2002 to 2005, Ms Tang Wenfeng studied at Xiamen University in the PRC working towards a Masters of Business Administration.

From 2008 to 2010, Ms Tang Wenfeng continued her MBA studies at the Hong Kong Institute of International Finance. From 2010 to 2012, Ms Tang completed her studies for an Executive MBA at the graduate school of the People's Bank of China, specialising in the guarantee industry.

Ms Tang was appointed as a Director on 8 July 2015.

Ms Chang Chen

Non-Executive Director

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 Accountant in the PRC with extensive experience in financing, capital markets and corporate management, having graduated from the Beijing Technology and Business University with a Masters of Accounting.

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 on 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.

Ms Chang is a member of the Company's Audit and Risk Committee.

Ms Chang was appointed as a Director on 8 July 2015.

Mr James Zhong

Non-Executive Director

Mr James Zhong is a registered migration agent and a licenced real estate agent in Australia. Mr Zhong is currently studying for the degree of Doctor of Social Sciences at the University of Technology, Sydney.

Mr Zhong moved to Australia in 1990 and 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.

Mr Zhong is a member of the Company's Audit and Risk Committee.

Mr Zhong was appointed as a Director on 8 July 2015.

Ms Kathy Yuan

Non-Executive Director

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.

Ms Yuan is the chair of the Company's Audit and Risk Committee.

Ms Yuan was appointed as a Director on 8 July 2015.

7.3 JOINT COMPANY SECRETARY PROFILES

Mr Winton Willesee

Joint Company Secretary

Winton Willesee has over 15 years of experience as a company secretary and a 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 Chartered Secretary.

Mr Willesee was appointed as a Joint Company Secretary on 28 July 2015.

Ms Erlyn Dale

Joint Company Secretary

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

Ms Dale was appointed as a Joint Company Secretary on 28 July 2015.

7.4 COMPOSITION OF THE BOARD

The Board currently comprises of 5 members, including 3 Non-Executive Directors (including the Non-Executive Chairman) and 2 Executive Directors.

The Board considers an independent Director to be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of that Director's judgment. The Company considers Ms Chang Chen, Mr James Zhong and Ms Kathy Yuan to be independent. As such, the composition of the Company's Board is in line with the recommendations of the ASX Corporate Governance Council in that a majority of its members are independent Directors, including the Chairman.

To effectively enhance the Board's experience with respect to Australian regulatory matters, the Company has engaged Mr Winton Willesee as a consultant to oversee the Company's compliance with key Australian regulatory matters and corporate governance. See Section 7.3 for a brief profile on Mr Willesee.

7.5 SENIOR MANAGEMENT TEAM

The Board has delegated responsibility for the business operations of the Company to the senior management team. The senior management team, led by the Chief Executive Officer, is accountable to the Board. Brief profiles of the persons comprising the senior management team are set out below.

Mr Guo Zhenhua

Managing Director
Chief Executive Officer

See Section 7.2.

Ms Tang Wenfeng

Executive Director
Chief Operating Officer

See Section 7.2.

Mr Zhang Hua

Chief Financial Officer

Mr Zhang Hua graduated from Shannxi Finance University in the PRC in 1991, where he majored in Investments. He has since been qualified as a Certified Public Accountant and Certified Tax Agent in the PRC.

Mr Zhang has accumulated over 20 years of experience in accounting and finance management. Before joining the Group in 2014, Mr Zhang worked in Shaanxi Machinery Import and Export Corporation as its Chief Financial Officer.

As CFO of the Group, Mr Zhang is primarily in charge of accounting, funds management, cost management, internal control and budget management.

Mr Deng Wei

General Manager of Business Development

Mr Deng Wei has many years of experience in the banking and guarantee industry. Mr Deng graduated from Sichuan University in the PRC in 2000, majoring in Economics. From 2002 to 2005, Mr Deng worked for Allbright Bank in Shenzhen City.

Mr Deng joined the Group in 2006 as the General Manager of Business Development. Mr Deng is in charge of the Group's business development strategy and management.

7.6 INTERESTS OF DIRECTORS

Other than as disclosed in this Prospectus, no Director holds at the date of this Prospectus or held at any time during the last 2 years, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- the Offer.

Further, other than as disclosed in this Prospectus, the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a Director, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offer.

7.6.1 SHAREHOLDING REQUIREMENTS

The Directors are not required to hold any Shares under the Constitution of the Company.

7.6.2 DIRECTORS' SECURITY HOLDINGS

Assuming that Full Subscription is achieved under the Offer, set out below are the Directors' relevant interests in the securities of the Company.

Director	Shares	Voting power at completion of Offer		
		Minimum Subscription	Mid Subscription	Full Subscription
Guo Zhenhua	211,100,000	41.8%	40.2%	38.4%
Tang Wenfeng	112,250,000	22.2%	21.4%	20.4%
Kathy Yuan	Nil	0%	0%	0%
James Zhong	Nil	0%	0%	0%
Chang Chen	Nil	0%	0%	0%
Total	323,350,000	64%	61.6%	58.8%

Notes:

1. Mr Guo's interest arises through his 100% shareholding interest in Grandeur Times Limited.
2. Ms Tang's interest arises through her 100% shareholding interest in Next Triumph Limited.
3. The table assumes that no Directors apply for Shares under the Offer.
4. The Company does not have any class of security on issue other than its Shares.

7.6.3 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of \$500,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

As Non-Executive Chairman, Ms Chang Chen will receive directors' fees of \$20,000 per annum plus statutory superannuation.

As Non-Executive Directors, Mr James Zhong and Ms Kathy Yuan will each receive directors' fees of \$20,000 per annum plus statutory superannuation.

As Managing Director and Chief Executive Officer, Mr Guo will be paid \$70,000 per annum plus statutory superannuation. See Section 8.1 for a summary of Mr Guo's employment agreement with the Company.

As Executive Director and Chief Operating Officer, Ms Tang Wenfeng will be paid \$50,000 per annum plus statutory superannuation. See Section 8.1 for a summary of Ms Tang's employment agreement with the Company.

7.7 CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance and establishing the accountability of the Board and management. To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with the *Corporate Governance Principles and Recommendations* (3rd Edition) published by ASX Corporate Governance Council (**Recommendations**).

The Board has adopted the following suite of corporate governance policies which are available on the Company's website at www.dsxfinance.com.au:

- Board Charter
- Corporate Code of Conduct
- Audit And Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Continuous Disclosure Policy
- Risk Management Policy
- Remuneration Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy
- Performance Evaluation Procedures

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

Following admission to the official list of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report. The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

	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 <i>Board Charter</i> , 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.
1.2	A listed entity should: <ul style="list-style-type: none"> (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	<ul style="list-style-type: none"> (a) The Company's guidelines for the appointment and selection of members of the Board are set out in the Company's <i>Nomination Committee Charter</i> 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. (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders prior to any general meeting at which a resolution to elect or re-elect a Director will be voted on.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has written agreements with all Directors and senior executives which sets out the terms of their 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	Under the <i>Board Charter</i> , the Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

	Recommendation	Compliance	Explanation
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objective for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(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</p> <p>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	Yes	<p>(a) The Company has adopted a Diversity Policy</p> <p>(i) The Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality.</p> <p>(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 objective.</p> <p>(b) The Diversity Policy will be available on the Company's website.</p> <p>(c)</p> <p>(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO/ MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment.</p> <p>(ii) The Board will include in the annual report each year, the measurable objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board level.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	<p>(a) Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee after being admitted to quotation on the ASX.</p> <p>The Board is responsible for evaluating the performance of the Board and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Annexure B of the Company's Corporate Governance Plan.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's annual report.</p>

	Recommendation	Compliance	Explanation
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance evaluations of the senior executives. Annexure B "Performance Evaluation" requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's annual reports.</p>
2.	Structure the Board to add value		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least 3 members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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 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.</p>	Yes	<p>(a) Due to the size and nature of the existing Board the Company has elected not to establish a Nomination Committee at this time. Accordingly, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The <i>Nominations Committee Charter</i> is available on the Company's website.</p> <p>(b) The Board will devote times on an annual basis to discuss Board succession issues and will regularly update the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>
2.2	<p>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.</p>	Yes	<p>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.</p>

	Recommendation	Compliance	Explanation
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	Yes	<p>(a) The current independent directors of the Company are Ms Chang Chen, Mr James Zhong and Ms Kathy Yuan.</p> <p>(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. Details of the Directors interests, positions associations and relationships are provided in the Prospectus.</p> <p>(c) The length of service of each Director is provided in the Prospectus and on the Company's website.</p>
2.4	A majority of the board of a listed entity should be independent directors.	Yes	<p>Of the 5 Directors, the following 3 members are considered by the Board to be independent Directors:</p> <ul style="list-style-type: none"> • Ms Chang Chen; • Mr James Zhong; and • Ms Kathy Yuan. <p>Details of each Director's independence are provided in the Prospectus.</p>
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, Ms Chang Chen, 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	<p>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.</p> <p>All Directors will be 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.</p>
3.	Promote ethical and responsible decision making		
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	Yes	<p>(a) The Company has a Corporate Code of Conduct that applies to its Directors, employees and contractors (all of which are referred to as "employees" in the Code).</p> <p>(b) The Company's Corporate Code of Conduct is available on the Company's website.</p>

	Recommendation	Compliance	Explanation
4.	Safeguard integrity in financial reporting		
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	Yes	<p>(a) The Board has established an Audit and Risk Committee. Its primary function is to assist the Board to fulfil its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.</p> <p>(i) The members of the Audit and Risk Committee are Ms Chang Chen, Mr James Zhong and Ms Kathy Yuan, all of whom are independent, non-executive directors.</p> <p>(ii) Ms Kathy Yuan is the chair of the Audit and Risk Committee and is not the chair of the board.</p> <p>(iii) A copy of the Audit and Risk Committee Charter is available on the Company's website.</p> <p>(iv) The relevant qualifications and experience of the members of the committee are set out in this Prospectus and on the Company's website.</p> <p>(v) For each reporting period following the Company's admission to the Official List of the ASX, the Company will disclose in its annual report the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p> <p>(b) Not applicable.</p>
4.2	<p>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 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.</p>	Yes	<p>The Company's Audit and Risk Committee is responsible for ensuring that before the Board approves the Company's interim and annual financial reports, the Company receives from its CEO and CFO a declaration that the financial records of the Company have been properly maintained and 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.</p>
4.3	<p>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.</p>	Yes	<p>The Company's Audit and Risk Committee is responsible for ensuring that the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
5.	Make timely and balanced decisions		
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>(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.</p> <p>(b) A copy of the Continuous Disclosure Policy is available on the Company website.</p>

	Recommendation	Compliance	Explanation
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	Information about the Company, and its governance is available on 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 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 EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
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. Security holders can also register with the Company at admin@dsxfinance.com.au to receive email notifications whenever an announcement is made by the Company to the ASX.

	Recommendation	Compliance	Explanation
7.	Recognise and manage risk		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least 3 members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	Yes	<p>(a) The Board has established an Audit and Risk Committee. Its primary function is to assist the Board to fulfil its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.</p> <p>(i) The members of the Audit and Risk Committee are Ms Chang Chen, Mr James Zhong and Ms Kathy Yuan, all of whom are independent, non-executive directors.</p> <p>(ii) Ms Kathy Yuan is the chair of the Audit and Risk Committee and is not the chair of the board.</p> <p>(iii) A copy of the Audit and Risk Committee Charter is available on the Company's website.</p> <p>(iv) The relevant qualifications and experience of the members of the committee are set out in this Prospectus and on the Company's website.</p> <p>(v) For each reporting period following the Company's admission to the Official List of ASX, the Company will disclose in its annual report the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p> <p>(b) Does not apply.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(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</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>(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 <i>Risk Management Policy</i> details the Company's disclosure requirements with respect to the review of the Company's risk management procedures and internal compliance and controls.</p> <p>(b) For each reporting period following the Company's admission to the Official List of the ASX, the Company will disclose in its annual report whether a review of the Company's risk management framework was undertaken in line with its <i>Risk Management Policy</i>.</p>

	Recommendation	Compliance	Explanation
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	Yes	<p>(a) The Company does not currently have an internal audit function however, following admission to the Official List of the ASX the Company will consider establishing an internal audit function in the future should the need arise.</p> <p>(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.</p>
7.4	<p>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.</p>	Yes	<p>To the extent the Company is exposed to economic, environmental and social sustainability risks, the Company has disclosed such risks in this Prospectus and the Company intends to disclose such information in future annual reports.</p>
8.	Remunerate fairly and responsibly		
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least 3 members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	Yes	<p>(a) Due to the size and nature of the existing Board the Company has elected not to establish a Remuneration Committee at this time. Accordingly, the full Board carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The Remuneration Committee Charter is available on the Company's website.</p> <p>(b) The Board will devote times on an annual basis to discuss the level and composition of remuneration for directors and senior executives and will ensure that such remuneration is appropriate and not excessive.</p>
8.2	<p>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 their remuneration.</p>	Yes	<p>The Company's policies and practices regarding the remuneration of non-executive and executive directors and other senior employees are set out in its <i>Remuneration Policy</i>, a copy of which is available on the Company's website.</p>

	Recommendation	Compliance	Explanation
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>(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. In the absence of a formal Remuneration Committee at the relevant time, the Company's full board will carry out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>(b) A copy of the Company's Remuneration Committee Charter is available on the Company's website.</p>

8. MATERIAL CONTRACTS

8.1 EMPLOYMENT AGREEMENTS

Mr Guo Zhenhua

Managing Director
Chief Executive Officer

Mr Guo Zhenhua is engaged as the Company's Managing Director and Chief Executive Officer pursuant to an employment agreement with the Company.

As the Managing Director, Mr Guo will not be subject to the usual requirement of directors to stand for re-election in accordance with the rotation of directors requirements.

The employment agreement commenced on 8 July 2015 and will continue until it is terminated in accordance with the agreement.

The remuneration package is made up of an annual salary of \$70,000 plus statutory superannuation.

As Managing Director and Chief Executive Officer, Mr Guo will, among other things:

- report to the Board;
- be engaged as a full-time employee of the Company and must donate the whole of his time, attention and skill to the duties of his position and the business of the Company;
- be responsible for effectively managing the Company including organisation, planning, leading, motivating and coordinating the activities of the Company to reach pre-set objectives which are determined from time to time by the Board;
- perform his duties in a proper and reasonable manner, with the standard of diligence normally exercised by a person bearing comparable qualifications in the performance of comparable duties, and in accordance with generally accepted practices and standards appropriate to those duties and that industry; and
- obey all reasonable and lawful directions given to him by or under the authority of the Board, and use his best endeavours to promote interests of the Company.

Either party may terminate the agreement without cause by providing the other party no less than 6 months' notice in writing.

The Company may terminate the agreement by summary notice to Mr Guo with cause in circumstances considered standard for agreements of this nature in Australia.

Mr Guo is subject to restrictions in relation to the solicitation of employees and customers, the use of confidential information (including know-how) and being directly involved in competing businesses for a period of 1 year from termination of the agreement.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

Ms Tang Wenfeng

Executive Director
Chief Operating Officer

Ms Tang Wenfeng is engaged as the Company's Executive Director and Chief Operating Officer pursuant to an employment agreement with the Company.

The employment agreement commenced on 8 July 2015 and will continue until it is terminated in accordance with the agreement.

As an Executive Director and the Chief Operating Officer, Ms Tang will, among other things:

- report to the Chief Executive Officer;
- be engaged as a full-time employee of the Company and must dedicate the whole of her time, attention and skill to the duties of her position and the business of the Company;
- be responsible for overseeing the everyday operations and functions of the Company, which includes monitoring daily activities, designing, improving and implementing the systems used to deliver products and services, monitoring and resolving issues regarding various aspects of the Company's operations, and overseeing the implementation of the Company's policies and procedures;
- perform her duties in a proper and reasonable manner, with the standard of diligence and care normally exercised by a person bearing comparable qualifications in the performance of comparable duties and in accordance with generally accepted practices and standards appropriate to those duties and that industry; and
- obey all reasonable and lawful directions given to her by or under the authority of the Board, and use her best endeavours to promote interest of the Company.

Either party may terminate the agreement without cause by providing the other party no less than 6 months' notice in writing.

The Company may terminate the agreement by summary notice to the executive with cause in circumstances considered standard for agreements of this nature in Australia.

Ms Tang is subject to restrictions in relation to the solicitation of employees and customers, the use of confidential information (including know-how) and being directly involved in competing businesses for a period of 1 year from termination of the agreement.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

8.2 GUARANTEE AND SECURITY CONTRACTS

Each time that the Company provides a guarantee service, the Company enters into a number of contracts with the customer (and, at times, its associates) to record the terms of the guarantee and to secure the performance of the customer's obligations. Accordingly, the nature of its business is such that the Company is party to many contracts which potentially expose the Company to a material level of risk in the event that the customer defaults on its obligations.

For commercial and privacy reasons, the Company does not consider that it is appropriate to disclose in this Prospectus the many guarantee contracts that it has entered into in the usual course of business, even if they may otherwise be considered material. The Company notes, however, that the amounts guaranteed by the Company on behalf of each customer range up to RMB 40,000,000 (approximately A\$8,644,910).

Please refer to Section 3.4 for summaries of the standard guarantee and security contracts that the Company uses, and Section 6.1.2 for a description of the risks associated with customer default.

8.3 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm each person's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires. The deeds also require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Under the deeds, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires.

The deeds are otherwise on terms and conditions considered standard for deeds of this nature in Australia.

8.4 ESCROW AGREEMENTS

If ASX determines that mandatory escrow applies to the Company's proposed ASX listing, then the Company will likely be required to enter into escrow agreement with all of the existing Shareholders. If mandatory escrow does not apply, then the Company will only enter into escrow agreements with its 2 major Shareholders, Grandeur Times Limited and Next Triumph Limited. The escrow agreements will be on ASX's standard terms and conditions set out in Appendix 9B of the Listing Rules.

Please see Section 1.7 for further details of the escrow agreements to be entered into by the Company and existing Shareholders.

9. ADDITIONAL INFORMATION

9.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution. A copy of the Company's Constitution is available upon request by contacting the Company on +61 8 9389 3100.

Ranking of Shares

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with Existing Shares.

Voting rights

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each share held.

Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of 75% of the Shares, or with the sanction of a special resolution passed at a general meeting.

Transfer of Shares

Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Listing Rules require or permit the Company to do so.

General meetings

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and Listing Rules.

Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution;

- divide among the shareholders the whole or any part of the Company's property; and
- decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

9.2 CONTINUOUS DISCLOSURE

The Company will be a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

9.3 SUBSTANTIAL HOLDERS

Assuming that no other existing Shareholders apply for Shares under the Offer, the only existing Shareholders who will hold 5% or more of the total Shares on issue upon completion of the Offer are Grandeur Times Limited and Next Triumph Limited, whose voting power will be as follows:

Shareholder	Shares	Voting power at completion of Offer		
		Minimum Subscription	Mid Subscription	Full Subscription
Grandeur Times Limited ¹	211,100,000	41.8%	40.2%	38.4%
Next Triumph Limited ²	112,250,000	22.2%	21.4%	20.4%
Total	323,350,000	64%	61.6%	58.8%

Notes:

1. Grandeur Times Limited is 100% owned by Managing Director and Chief Executive Officer, Mr Guo Zhenhua.
 2. Next Triumph Limited is 100% owned by Executive Director and Chief Operating Officer, Ms Tang Wenfeng.
- Following completion of the Offer but prior to Shares commencing trading on ASX, the Company will announce to ASX details of its top 20 Shareholders by number of Shares.

9.4 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, within 2 years before lodgement of this Prospectus with ASIC, has:

- had any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer, or in the Offer; and
- received any amounts or benefits or has agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offer.

Dao Capital Group Limited has acted as the corporate adviser to the Company in relation to the Offer. Total fees payable to Dao Capital Group Limited for these services are approximately A\$107,000.

Nexia Melbourne Pty Ltd has prepared the Investigating Accountant's Report which is included in Section 5 of this Prospectus. Total fees payable to Nexia Melbourne Pty Ltd for these services are approximately A\$45,000 plus GST.

Moore Stephens Adelaide Pty Ltd has prepared the Taxation Report which is included in Section 10 of this Prospectus. Total fees payable to Moore Stephens Adelaide Pty Ltd for these services are approximately A\$5,000 plus GST.

Price Sierakowski Corporate has acted as the Australian legal adviser to the Company in relation to the Offer. Total fees payable to Price Sierakowski Corporate for these services are approximately A\$135,000 plus GST.

Beijing DHH Law Firm has acted as the PRC legal adviser to the Company in relation to the Offer. Total fees payable to Beijing DHH Law Firm for these services are approximately A\$191,000.

Respect Marketing Research, Inc. has prepared the Industry Report, extracts of which have been reproduced in this Prospectus. Total fees payable for these services are approximately A\$34,000.

9.5 CONSENTS

Each of the parties referred to below:

- does not make the Offer;
- does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statement in this Prospectus that are specified below in the form and context in which the statements appear.

Dao Capital Group Limited has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the corporate adviser to the Company in the form and context in which it is named. Dao Capital Group Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Moore Stephens Assurance Adelaide Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named and to the inclusion of the financial information in Section 4 in the form and context in which it is included. Moore Stephens Assurance Adelaide Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the financial information in Section 4.

Nexia Melbourne Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the investigating accountant in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. Nexia Melbourne Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

Moore Stephens Adelaide Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian taxation adviser to the Company in the form and context in which it is named and to the inclusion of the Taxation Report in the form and context in which it is included. Moore Stephens Adelaide Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Taxation Report.

Price Sierakowski Corporate has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian legal adviser to the Company in the form and context in which it is named. Price Sierakowski Corporate has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Beijing DHH Law Firm has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as PRC legal adviser to the Company in the form and context in which it is named. Beijing DHH Law Firm has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Computershare Investor Services Pty Limited has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry. Computershare Investor Services Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

The information about the guarantee industry in the PRC in Section 2 is based on information contained in an industry research report prepared by Respect Marketing Research, Inc. RMR has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus and to the inclusion of all references to it in the form and context in which they are included on condition that, to the maximum extent permitted by law, RMR disclaims and excludes any and all liability (whether arising in contract, tort or otherwise) for any loss of any nature suffered by any party as a direct or indirect result of any error in or omission from the information, as a direct or indirect result of the use of any of the information or of making any investment decision, or refraining from making any decision, in reliance or based wholly or partly on any data, expression of opinion, statement or other information or data contained in the information.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

9.6 EXPENSES OF THE OFFER

The expenses of the Offer are expected to comprise the following amounts which are exclusive of any GST payable by the Company.

Expense	Minimum Subscription	Mid Subscription	Full Subscription
Adviser fees (corporate, accounting, legal, other)	717,448	717,448	717,448
ASX and ASIC fees	219,000	223,000	227,000
Printing, design and miscellaneous	15,375	15,375	15,375
Total	951,823	955,823	959,823

Note: The Company reserves the right to pay a capital raising fee of up to 5% (excl. GST) of amounts subscribed to any licenced securities dealer or Australian Financial Services licensee who has procured investment under the Offer. For example, if such brokers procure investment equal to the:

- Minimum Subscription, then \$500,000 will be payable in capital raising fees;
- Mid Subscription, then \$1,000,000 will be payable in capital raising fees; or
- Full Subscription, then \$1,500,000 will be payable in capital raising fees.

9.7 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, you may obtain a copy of this Prospectus from the Company's website at www.dsxfinance.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.8 LITIGATION

Neither the Company nor any of its Subsidiaries is involved in any litigation that is material for the purposes of this Prospectus, and the Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

9.9 TAXATION

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above. Please also see the Taxation Report contained in Section 10.

9.10 FOREIGN INVESTOR RESTRICTIONS

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. No action has been taken to register or qualify Shares that are subject to the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

9.10.1 PEOPLE'S REPUBLIC OF CHINA

This Prospectus may not be circulated or distributed in the PRC and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

The contents of this Prospectus have not been reviewed by any PRC regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

For the purpose of the paragraphs above, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

9.10.2 HONG KONG

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- (a) to 'professional investors' (as defined in the SFO); or
- (b) in other circumstances that do not result in this Prospectus being a 'prospectus' (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person issued Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within 6 months following the date of issue of such Shares.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

10. TAXATION REPORT

MOORE STEPHENS

28 August 2015

The Directors
Ding Sheng Xin Finance Co. Limited.
Suite 25
145 Stirling Highway
Nedlands, WA 6009

Moore Stephens Adelaide Pty Ltd

Level 4, 81 Flinders Street
Adelaide SA 5000

GPO Box 2039, Adelaide SA 5001

T +61 (0)8 8205 6200

F +61 (0)8 8205 6288

www.moorestephens.com.au

Dear Sirs

Taxation Report

This Taxation Report has been prepared in accordance with our engagement letter of 2 February 2015, for inclusion in the prospectus relating to the offer for subscription of shares in Ding Sheng Xin Finance Co. Limited. (ACN 603 612 479) ("the prospectus").

All information contained in this Taxation Report must be read in conjunction with and in the context of the prospectus, the scope of the underlying engagement and with the associated disclaimer provided at Section 6.

1 Investing in Ding Sheng Xin Finance Co. Limited

The taxation consequences of any investment will depend upon a taxpayer's particular circumstances.

This report considers the Income Tax Assessment Act 1936 (ITAA 1936), the Income Tax Assessment Act 1997 (ITAA 1997) and associated Acts (the "Australian Tax Legislation").

This report is based on Australian Tax Legislation and established interpretations of that legislation at the date of issue and is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of investors.

This report provides a general outline for investors who are for taxation purposes Australian residents and who hold their share on capital account (not as trading stock). It is not intended to be nor should it be taken as any form of specific tax advice to investors.

2 Taxation Treatment of Dividends

The capital raising of Ding Sheng Xin Finance Co. Limited (as detailed in the prospectus) involves the issue of shares which will be "equity interests" for Australian tax purposes (determined in accordance with Australian Tax Legislation and the debt/equity classification rules therein).

Ding Sheng Xin Finance Co. Limited is incorporated in Australia and is understood to own (directly and indirectly) a number of subsidiaries located in tax jurisdictions outside Australia (foreign subsidiaries).

We are advised that the main income derived by Ding Sheng Xin Finance Co. Limited will be from its foreign subsidiaries.

2.1 Dividends

Dividends paid by an Australian resident company constitute assessable income the taxation of which will depend on the nature of the taxpayer and the level to which the dividends are franked.

A franking credit is commonly referred to as an imputation credit and is the share of tax paid on profits from which dividends are paid.

Franked dividends are paid to shareholders out of profits on which an Australian resident company has already paid tax and carry an associated franking credit.

2.1 Dividends (cont'd)

Unfranked dividends have had no Australian company tax paid on the profits from which they are paid and there is no franking credit.

Where Ding Sheng Xin Finance Co. Limited does not pay Australian company tax on its profits, it will not generate franking credits.

Based on the information contained in the prospectus, the company, is not likely to be subject to any Australian tax and will generate no franking credits.

Based on the information contained in the prospectus, the directors are of the opinion there will be no activities that would give rise to Australian taxation under the Controlled Foreign Company ('CFC') provisions.

No franking credits are likely to be available and it is anticipated that if dividends are paid by Ding Sheng Xin Finance Co. Limited will be unfranked.

3 Taxation Implications of Dividends

The tax treatment will vary depending on the circumstances relating to the particular individual or entity.

All tax payers should seek professional advice in respect of their particular circumstances.

3.1 Individual Taxpayers

An individual receiving a dividend will include the amount of the dividend in their assessable income in the year it is paid or credited to them. Tax is paid at the individual's marginal rate of tax.

The individual's assessable income is grossed up to include any franking credit. The individual may be entitled to a tax offset for the amount of the franking credit.

Where an individual's marginal rate of tax is greater than 30%, franked dividend income may give rise to additional tax payable.

Where the individual's marginal rate of tax is less than 30%, a tax offset may be available or a refund of the excess franking credits may arise.

Additional levies such as Medicare Levy may be payable as a result of receiving the dividends.

3.2 Company Taxpayers

A company receiving a dividend will include the dividend as assessable income and pay tax at the corporate tax rate, currently 30%.

Where dividends are franked, the company tax rate, currently 30%, is applied to the grossed up dividend.

A tax offset will equivalent to the franking credit will generally be available. In the event the dividend is fully franked, a company taxpayer would pay no further tax on the dividend.

Company taxpayers that have tax losses and receive franked dividends may be able to convert any excess franking offsets to current year losses.

In limited circumstances, certain corporate entities may be entitled to receive a refund of the franking credit where they satisfy Division 67 of the ITAA 1997.

3.3 Trust Taxpayers

Specific taxation rules apply to income received by trusts. Tax liability depends on the type of trust, the trust deed and whether income is distributed to beneficiaries. In many circumstances, the trust is not liable to pay tax and the income is taxed in the hands of the beneficiaries.

This report should be read in the context of the scope of the underlying engagement and in conjunction with the associated Disclaimer provided at Section 6.

3.4 Complying Superannuation Funds

Complying Superannuation Funds are required to gross up any franked dividend for income tax purposes. Any franking credit may be available to offset tax payable on other income of the complying superannuation entity or alternatively results in a refund of the excess franking credits.

3.5 PAYG Withholding Tax

Interest, dividend or royalty payments to a non-Australian resident will generally require the payer withhold a portion of the gross amount and remit to the Australian Taxation Office. Withholding tax applies at varying rates and where Australia has a tax treaty with the relevant country a lower rate may apply.

Fully franked dividends are not subject to withholding tax and withholding will generally not apply to Australian resident taxpayers.

3.6 Tax File Number Withholding

Taxpayers are not required to provide their Tax File Number (TFN) or Australian Business Number (ABN), however, if taxpayers choose not to provide to it their TFN or ABN, Ding Sheng Xin Finance Co. Limited is required by tax legislation to withhold a percentage of the unfranked part of any dividend (currently 49%) and remit this amount to the Australian Taxation Office.

3.7 Tax Avoidance

Various measures are contained in taxation legislation to target tax avoidance including, dividend streaming and franking credit trading.

Taxpayers should take their own advice to ensure that such measures do not apply to their situation.

4 Disposal of Shares

The ordinary shares will be listed on the Australian Stock Exchange (ASX). Shares in ASX-listed companies are traded electronically, and can only be bought and sold through an ASX participant broker.

Disposal of shares (that are not held as trading stock) will constitute a Capital Gains Tax (CGT) event and may give rise to either a capital gain or a capital loss.

Capital gains are taxable in the year incurred whilst capital losses can generally be offset against other capital gains in the same year, or carried forward for future years.

Shares held for more than twelve months may be entitled to a discount of the capital gain of 50% for individuals and 33 1/3 % for complying superannuation funds when the shares are disposed.

The CGT discount is not available to companies.

5 Goods & Services Tax (GST)

The acquisition, holding and disposal of shares in Australia are input taxed supplies and therefore not subject to GST.

No GST should be payable in respect of dividends paid or received.

6 Disclaimer

The information contained in this report does not constitute 'financial product advice' within the meaning of the Corporation Act 2001 (Cth) (Corporation Act). Moore Stephens Adelaide Pty Ltd is not licensed to provide financial product advice under the Corporations Act.

This report should be read in the context of the scope of the underlying engagement and in conjunction with the associated Disclaimer provided at Section 6.

To the extent that this document contains any information about a 'financial product' within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.

This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of particular taxpayers.

Any recipient should take advice from a person who is licensed to provide financial product advice under the Corporations Act before making any investment decisions.

Taxpayers should obtain their own tax advice prior to deciding whether to invest.

It is important that you read this Tax Report and the associated Prospectus carefully and in its entirety before deciding whether to invest in the Company.

The assumptions underlying the Prospectus, any Forecast or Financial Information that may be contained therein and the risk factors that could affect the performance and should all be considered before making any decisions.

Except as required by law, and only to the extent required, no person named in the report, nor any other person, warrants or guarantees the performance of the shares or the repayment of capital or any return on investment.

Yours Faithfully



Tim Siebert

Director

MOORE STEPHENS ADELAIDE PTY LTD

This report should be read in the context of the scope of the underlying engagement and in conjunction with the associated Disclaimer provided at Section 6.

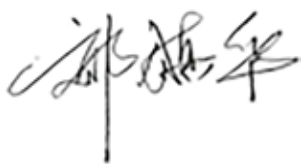
11. DIRECTORS' AUTHORISATION

28 August 2015

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Ding Sheng Xin Finance Co. Limited.

A handwritten signature in black ink, appearing to be '郭振华' (Guo Zhenhua), written in a cursive style.

Guo Zhenhua
Managing Director

12. DEFINITIONS

Application Monies means the amount of money in dollars and cents payable for Shares at \$0.60 each pursuant to this Prospectus.

Application Form means the application form in the form accompanying this Prospectus pursuant to which investors may apply for Shares under the Offer.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691, or the Australian Securities Exchange, as the context requires.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the settlement and operating rules of ASX Settlement.

Board means the board of Directors.

CAGR means compound annual growth rate.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the date that the Offer closes which is 5.00pm (WST) on 2 October 2015 or such other time and date as the Board determines.

Company means Ding Sheng Xin Finance Co. Limited ABN 64 603 612 479.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Exposure Period means the period of 7 days after the date of lodgement of this prospectus which period may be extended by ASIC by up to a further 7 days pursuant to section 727(3) of the Corporations Act.

financing guarantee or **financing guarantee service** is a type of guarantee service provided by a guarantee company whereby the guarantee company guarantees the obligations of a borrower to repay a loan or other form of financing to a lender such as a bank or other financial institution. See Sections 2.1.1 and 3.3.1 for further information.

FY means financial year (1 January to 31 December).

Full Subscription means the subscription of 50,000,000 Shares at an issue price of \$0.60 each to raise \$30,000,000 under the Offer.

GDP means gross domestic product.

Group means the Company and its Subsidiaries.

HK DSX means China Ding Sheng Xin Holdings Limited, a company registered in Hong Kong,

Industry Report means the Industry Report prepared by RMR in relation to the guarantee services industry in Guizhou Province and the PRC, extracts of which have been reproduced in this Prospectus.

Interim Measures means the Interim Measures for the Administration of Financing Guarantee Companies jointly formulated and issued in 2010 by the Chinese Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China and the State

Administration for Industry and Commerce (see Section 2.4 for further information).

Listing Rules means the official listing rules of ASX.

Magnification means, in relation to a financing guarantee company, the financing guarantee balance of the company (i.e. the aggregate amount of money secured by financing guarantees provided by the company), divided by its net assets.

Mid Subscription means the subscription of 33,333,333 Shares at an issue price of \$0.60 each to raise \$20,000,000 under the Offer. Mid Subscription figures are provided for reference purposes only.

Minimum Subscription means the subscription of 16,666,667 Shares at an issue price of \$0.60 each to raise \$10,000,000 under the Offer.

non-financing guarantee or **non-financing guarantee service** is any guarantee service other than a financing guarantee. Generally, under a non-financing guarantee, the guarantee company guarantees the obligations of a party to another party under a contract or arrangement which is not a loan or of a debt financing nature. See Sections 2.1.2 and 3.3.2 for further information.

Offer means the offer of up to 50,000,000 Shares under this Prospectus at an issue price of \$0.60 each to raise up to \$30,000,000 before costs.

Opening Date means the date that the Offer opens which is 9:00am WST on 4 September 2015, subject to any extension of the Exposure Period by ASIC.

PRC means the People's Republic of China.

PRC Subsidiaries means WFOE DSX and PRC DSX, or any one or more of those entities, as the context requires.

PRC DSX means Ding Sheng Xin Financing Guarantee Co., Ltd, a company registered in the PRC.

Prospectus means this prospectus dated 28 August 2015.

RMR means Respect Marketing Research Inc.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of one or more Shares.

Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

SME means a small to medium sized enterprise based on number of employees, operating income and/or total assets. The definition of an SME in the PRC varies from industry to industry in accordance with the Notice of Printing and Distributing the Standard for SMEs issued in 2011 by the Ministry of Industry and Information Technology, National Bureau of Statistics of China, National Development and Reform Commission and Ministry of Finance.

State Council means the State Council of the People's Republic of China.

Subsidiaries means HK DSX, WFOE DSX and PRC DSX, or any one or more of those entities, as the context requires.

WFOE DSX means Guizhou Ding Sheng Xin Long Asset Management Co., Ltd, a company registered in the PRC as a wholly foreign owned enterprise.

WST means Western Standard Time, being the time in Perth, Western Australia.

APPLICATION FORM

Ding Sheng Xin Finance Co. Limited

ABN 64 603 612 479

Fill out this Application Form if you wish to apply for Shares in Ding Sheng Xin Finance Co. Limited

- x Please read the Prospectus dated 28 August 2015.
- x Follow the instructions to complete this Application Form (see reverse).
- x Print clearly in capital letters using black or blue pen.

Offer closes at 5.00pm WST on 2 October 2015

A Number of Shares you are applying for

B Total amount

Minimum of 3,334 Shares to be applied for.

C Write the name(s) you wish to register the Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number / Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

☒

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Cheque payment details – PIN Cheque(s) Here

Please enter details of the cheque(s) that accompany this Application Form. Make your cheque or bank draft payable to "Ding Sheng Xin Finance Co. Limited – Subscription Account".

Name of drawer of cheque

Cheque No.

Cheque Amount A\$

H Contact telephone number (daytime/work/mobile)

By submitting this Application Form, I/We declare that this application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Ding Sheng Xin Finance Co. Limited (Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BRICK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 3,334). Multiply by \$0.60 to calculate the total for Shares and enter the dollar amount at B.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G. Complete cheque details as requested. Make your cheque payable to "Ding Sheng Xin Finance Co. Limited – Subscription Account", cross it and mark it "Not negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.
- I. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

NB: Your registration details provided must match your CHESS account exactly.

Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

Lodgement

Post your completed Application Form with cheque(s) attached to the following address:

Ding Sheng Xin Finance Co. Limited
C/- Computershare Investor Service Pty Limited
GPO Box 52
Melbourne Vic 3001

It is not necessary to sign or otherwise execute the Application Form. For questions on how to complete the Application Form, please contact Computershare Investor Services on 1300 850 505 (within Australian) or +61 3 9415 4000.

Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Computershare Investor Service Pty Limited on 1300 850 505 (within Australian) or +61 3 9415 4000. Our privacy policy is available online at www.dsxfinance.com.au.