

**Ding Sheng Xin Financing
Guarantee Co., Ltd**
鼎盛鑫融资担保有限公司

2014 ANNUAL REPORT
For the year ended 31 December 2014

2014 年 12 月 31 日年度报告

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Director's Report 董事报告

The Director presents the report on the company for the financial year ended 31 December 2014.

Directors

The name of the director in office at any time during or since the end of the year is:

Executive Chairman/CEO: Mr Zhen Hua Guo

The Director has been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating results

The profit of the Company for the financial year after providing for income tax amounted to RMB 65,897,681

Review of operations

The Company's business was fast developing in the year, RMB 65,897,681 net income was realized. The Company started to provide non-financing guarantee services such as litigation and performance guarantee in the financial year. As at the end of the financial year, the Company had cooperation relationship with 226 banks and the registered capital of the Company is RMB 500,000,000. The Company set up 2 new branches in the financial year and there were 11 branches in total at the end of the financial year.

Significant changes in state of affairs

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

Principal activities

The Company plans to build on their competitive strength to further strengthen their market position in the guarantee services industry by improving the financial capabilities, establishing a nationwide branch network and exploring new guarantee products that are capital efficient.

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

Director's Report 董事报告

Events subsequent to the end of the reporting date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future development, prospects and business strategies

The Company plans to build on their competitive strength to further strengthen their market position in the guarantee services industry by improving the financial capabilities, establishing a nationwide branch network and exploring new guarantee products that are capital efficient.

Environmental issues

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

Dividends paid or recommended

No dividends were declared or paid during the financial year.

Options

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

Indemnifying officers or auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Director's Report 董事报告

Proceedings on behalf of Company

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

Information on the director

Mr. Zhen Hua Guo

Mr. Zhen Hua Guo has over 20 years of operations and management experience in the guarantee industry. Before founding the Company in 2005, Mr. Guo joined and set up several companies where he took key positions.

From 1985 to 1993, Mr. Guo worked in the Pricing Bureau of Guiyang City. Following this role, Mr. Guo founded his own business.

In 2005, Mr. Guo founded the Company and has acted as Chairman and Chief Executive Officer of the company since its inception. Mr. Guo is primarily in charge of the Company's strategic planning, fund raising and management.

Director Meetings 董事会议信息

During the financial year, no meetings of Director were held as the company has only one director being Mr. Zhen Hua Guo.

Auditor's Independence Declaration 审计师独立性申明

A copy of the auditor's independence declaration is set out on page 4.

The Director's report is signed in accordance with resolution of the Director:



Mr Zhen Hua Guo
Executive Chairman/CEO

Dated 21 August 2015

Auditor's Independence Declaration 审计师 独立性申明

I declare that, to my the best to my knowledge and belief, during the year ended 31 December 2014, in conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.



Jim Gouskos

Director

Moore Stephens Assurance Adelaide Pty Ltd

Dated 21 August 2015

Statement of Profit or Loss and Other Comprehensive Income 损益表

For the year ended 31 December 2014

	Note	2014 RMB	2013 RMB
Revenue 收入	2	80,198,656	54,351,423
Other income 其他收入	3	29,527,414	17,011,542
Operating expenses 营业费用	4	(12,540,905)	(14,432,837)
Administration expenses 管理费用	5	(22,919,556)	(18,487,687)
Finance costs 财务费用	6	(67,970)	(60,576)
Profit before income tax 利润总额		74,197,639	38,381,865
Income tax expense 所得税	7	(8,299,958)	(3,785,940)
Profit for the year 净利润		65,897,681	34,595,925
Other comprehensive income 其他收益		-	-
Total comprehensive income for the year 全面收益		65,897,681	34,595,925

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

Statement of Financial Position 资产负债表

As at 31 December 2014

	Note	2014 RMB	2013 RMB
Current assets 流动资产			
Cash and cash equivalents 货币资金	8	263,651,991	257,405,345
Trade and other receivables 应收及其他应收款	9	108,833,956	93,251,218
Other current assets 其他流动资产	10	547,166	1,099,025
Pledged bank deposits 抵押银行保证金	11	350,157,455	256,726,951
Current tax assets 所得税资产	17	102,019	160,040
Total current assets 流动资产合计		723,292,587	608,642,579
Non-current assets 非流动资产			
Trade and other receivables 应收及其他应收款	9	22,149,570	16,107,089
Pledged bank deposits 抵押银行保证金	11	51,847,000	32,721,000
Property, plant and equipment 固定资产	12	7,685,358	8,390,965
Intangible assets 无形资产	13	107,211	56,815
Total non-current assets 非流动资产合计		81,789,139	57,275,869
Total assets 资产合计		805,081,726	665,918,448
Current liabilities 流动负债			
Liabilities from guarantees 担保负债	14	40,932,894	30,393,900
Liabilities from insurance contracts 其他担保负债-保险类合同	15	12,022,889	-
Other current liabilities 其他流动负债	16	40,152,360	7,499,073
Total current liabilities 流动负债合计		93,108,143	37,892,973
Non-current liabilities 非流动负债			
Liabilities from guarantees 担保负债	14	16,697,242	10,098,945
Liabilities from insurance contracts 其他担保负债-保险类合同	15	11,517,130	-
Other non-current liabilities 其他非流动负债	16	4,735,000	4,800,000
Total non-current liabilities 非流动负债合计		32,949,372	14,898,945
Total liabilities 负债合计		126,057,515	52,791,918
Net assets 净资产		679,024,211	613,126,530
Equity 所有者权益			
Issued capital 实收资本	18	500,000,000	500,000,000
Statutory reserve 法定公积	20	7,118,020	3,742,957
Retained earnings 未分配利润		171,906,191	109,383,573
Total equity 所有者权益合计		679,024,211	613,126,530

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

Statement of Changes in Equity 所有者权益变动表

For the year ended 31 December 2014

	Share Capital 实收资本 RMB	Retained earnings 未分配利润 RMB	Statutory reserve 法定公积 RMB	Total 合计 RMB
Balance at 1 January 2013 2013 年 1 月 1 日余额	300,000,000	76,573,321	1,957,284	378,530,605
Total comprehensive income for the year 年全面收益	-	34,595,925	-	34,595,925
Share Capital 实收资本	200,000,000	-	-	200,000,000
Transfer to statutory reserve 转入法定公 积	-	(1,785,673)	1,785,673	-
Balance at 31 December 2013 2013 年 12 月 31 日余额	500,000,000	109,383,573	3,742,957	613,126,530
Balance at 1 January 2014 2014 年 1 月 1 日余额	500,000,000	109,383,573	3,742,957	613,126,530
Total comprehensive income for the year 年全面收益	-	65,897,681	-	65,897,681
Transfer to statutory reserve 转入法定公 积	-	(3,375,063)	3,375,063	-
Balance at 31 December 2014 2014 年 12 月 31 日余额	500,000,000	171,906,191	7,118,020	679,024,211

Statement of Cash Flows 现金流量表

For the year ended 31 December 2014

	Note	2014 RMB	2013 RMB
Cash flows from operating activities			
Receipts from customers		129,553,495	66,188,898
Payments for pledged bank deposits		(112,556,504)	(70,901,765)
Payments to guarantee holders, suppliers and employees		(31,270,637)	(85,678,621)
Interest received		3,978,858	2,336,098
Finance costs		(67,970)	(60,576)
Income tax paid		(8,241,937)	(3,052,021)
Net cash provided by (used in) operating activities		(18,604,695)	(91,167,987)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,281,577)	(5,920,774)
Purchase of Intangibles		(62,400)	-
Proceed from sale of non-current assets		151	32,000
Net cash provided by (used in) investing activities		(2,343,826)	(5,888,774)
Cash flows from financing activities			
Cash receipts(Advanced) From(to) non related parties		23,777,103	3,630,660
Cash receipts(Advanced) From(to) related parties		3,418,064	676,183
Additional share capital injection		-	200,000,000
Net cash provided by (used in) financing activities		27,195,167	204,306,843
Net change in cash and cash equivalents held		6,246,646	107,250,082
Cash and cash equivalents at beginning of financial year		257,405,345	150,155,263
Cash and cash equivalents at end of financial year	8	263,651,991	257,405,345

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

1 Statement of significant accounting policies 主要会计政策

The financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Ding Sheng Xin Financing Guarantee Co., Ltd (the Company”) is a company limited by shares, incorporated and domiciled in the People’s Republic of China.

The financial statements were authorised for issue by the directors on 21 August 2015.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Chinese Yuan (RMB) which is the Company’s functional and presentational currency, unless otherwise noted.

Significant accounting policies

a. Income Tax

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

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

Deferred income tax expense 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.

1. Statement of significant accounting policies (con't) 主要会计政策

b. Property, Plant and Equipment

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

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

c. Intangible assets – Accounting Software

Accounting Software have a finite useful life and are 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 their estimated useful lives.

d. 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 Company 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.

1. Statement of significant accounting policies (con't) 主要会计政策

e. Guarantees Issued

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

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

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

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

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

Basis of provision against the outstanding guarantees issued.

In addition, provisions are recognised in accordance with Note 1(m) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company 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 Company makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occur after initial recognition (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

The Company assesses (either individually or collectively) the liabilities arise from its outstanding guarantees issued in accordance with IAS 37 and IAS 39. If it is determined that the Company has a legal or constructive obligation arising as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made, then a “provision of guarantee losses” is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

1. Statement of significant accounting policies (con't) 主要会计政策

e. Guarantees Issued (con't)

Basis of provision against the outstanding guarantees issued. (con't)

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

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

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

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

The weighted average length of financial guarantee contract is 33.7 months.

f. Impairment of Non-Financial Assets

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Employee Benefits & 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 benefits accruals are recognised in accordance with applicable statutory or employee contractual arrangements.

1. Statement of significant accounting policies (con't) 主要会计政策

h. 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.

i. Pledged Bank Deposits

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

j. Insurance Contracts

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

k. Revenue

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

(i) Financial guarantee contracts

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

The fair value of the guarantee 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) Premium fee

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

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Statement of significant accounting policies (con't) 主要会计政策

k. Revenue (con't)

(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 be recoverable.

(iv) Interest income

Interest income arising from deferred and instalment-based premiums 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 Company will comply with the conditions attaching to them. Grants that compensate the Company 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.

1. Statement of significant accounting policies (con't) 主要会计政策

1. Trade and Other Receivables

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

Subrogation fee receivables represents default loan amounts repaid by the Company 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 Company on behalf of customers. The Company will then request 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 Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

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

Basis of provision of impairment for payment on behalf of customers

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

1. Statement of significant accounting policies (con't) 主要会计政策

m. Impairment of Receivables (con't)

Basis of provision of impairment for payment on behalf of customers (con't)

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

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

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

n. Liability adequacy test

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

o. Borrowing Costs

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

p. Comparative Figures

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

1. Statement of significant accounting policies (con't) 主要会计政策

q. Critical accounting estimates and judgments

Key sources of estimation uncertainty are as follows:

(a) Provision of guarantee losses

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

The discount rate used in estimating the present value of the expenditure expected to settle the obligation was determined taking into account the risk that future 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%.

(b) Estimation of premium revenue / unearned revenue

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

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

(c) Estimation of outstanding claims liabilities

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

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

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

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

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

Provisions are calculated gross of any recoveries.

1. Statement of significant accounting policies (con't) 主要会计政策

r. Accounting standards not yet effective

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

IFRS 9 Financial Instruments

IFRS 9 was issued in November 2009 and introduced new requirements for the classification and measurement of financial assets. IFRS has been amended in October 2010, November 2013 and July 2014 and is effective for annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on amounts reported and disclosures made in respect of the Company's revenue. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company undertakes a detailed review.

2 Revenue 收入

	2014 RMB	2013 RMB
Operating activities 营业收入		
Financial guarantee fee income 财务担保费收入	63,105,843	52,668,463
Premium fee income - Other guarantee - 其他担保费收入	12,815,553	-
Agency fee income 代办费收入	4,277,260	1,682,960
Total revenue 收入合计	80,198,656	54,351,423

3 Other Income 其他收入

	2014 RMB	2013 RMB
Other Income 其他收入		
Government grants 补贴	7,000,000	8,400,000
Interest income 利息收入	3,978,858	2,336,098
Interest income - guarantee fee receivable 财务担保费用折现利息收入	15,111,000	6,131,055
Interest income - premium fee receivable 其他担保费用折现利息收入	2,815,592	-
Other sundry income 其他收入	621,964	144,389
Total other income 其他收入合计	29,527,414	17,011,542

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4 Operating Expenses 营业费用

	2014 RMB	2013 RMB
Operating expenses 营业费用		
Salary and welfare expenses 销售工资及福利	8,624,521	7,210,812
Staff travelling and commuting expenses 差旅及交通费用	995,139	727,271
Impairment provision charged/(written back) for provision for guarantee losses 担保损失准备金	607,068	271,939
Unexpired risk liability expenses 未到期责任风险支出	756,576	-
Impairment provision charged/(written back) for subrogation receivables 担保代偿准备金	(1,310,339)	2,764,494
Advertisements 广告费用	1,788,955	2,066,850
Other expenses 其他营业费用	1,078,985	1,391,471
Claim expense 索赔费用	-	-
Total operating expenses 营业费用合计	12,540,905	14,432,837

5 Administration Expenses 管理费用

	2014 RMB	2013 RMB
Administration expenses 管理费用		
Salary and welfare expenses 职工工资及福利	9,800,243	7,461,300
Rent 租赁费用	3,756,763	2,083,352
Depreciation 折旧	2,937,832	1,901,365
Staff travelling and commuting expenses 差旅及交通费用	1,699,356	1,750,365
Office expenses 办公费用	1,517,121	1,706,637
Business hospitality expenses 业务招待费	933,310	1,562,452
Professional Consulting expenses 咨询费用	626,143	646,500
Other expenses 其他管理费用	1,648,788	1,375,716
Total administration expenses 管理费用合计	22,919,556	18,487,687

6 Finance Costs 财务费用

	2014 RMB	2013 RMB
Finance costs 财务费用		
Finance Expense – Bank Charge 银行手续费	67,970	60,576
Total finance costs 财务费用合计	67,970	60,576

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7 Income Tax Expense 所得税

	2014 RMB	2013 RMB
The components of tax expense comprise:		
所得税组成		
Current tax 今年所得税	8,299,958	3,785,940
Total Income Tax Expense 所得税合计	8,299,958	3,785,940
Reconciliation of tax expense		
Profit before income tax	74,197,639	38,381,865
Prima facie tax payable on profit before income tax at China tax rate of 15%	11,129,646	5,757,280
Under/(over)-provision for income tax in prior year	58,053	66,091
Effect of permanent difference for deductible provision	(3,860,996)	(1,813,656)
Net Effect of other non-deductible expense and non-assessable income	973,255	(223,775)
Total Income Tax Expense 所得税合计	8,299,958	3,785,940

The Company is subject to the tax law of People's Republic of China (PRC).

In accordance with the income tax law of PRC and the Great Western Development of Enterprise Income Tax Preferential Policy, the company is taxed at a rate of 15%.

8 Cash and Cash Equivalents 货币资金

	2014 RMB	2013 RMB
Current 短期		
Cash on hand 现金	606,976	615,367
Cash at bank 银行存款	263,045,015	256,789,978
Total current cash and cash equivalent 货币资金合计	263,651,991	257,405,345

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9 Trade and Other Receivables 应收及其他应收款

	Note	2014 RMB	2013 RMB
Current 短期			
Guarantee Fee Receivable 应收担保费	9(i)	9,950,657	5,706,593
Subrogation Receivables 应收代偿款	9(ii)	37,408,769	63,615,548
Less: allowance for doubtful debts 坏账准备	9(a)(i)	(1,870,438)	(3,180,777)
		45,488,988	66,141,364
Other receivables 其他应收款	9(iv)	24,974,121	2,564,260
Related party receivable 关联方应收款	23(b)	3,170,753	-
Guarantee Fee Contract Receivable 应收财务担保费-合同相关	9(iii)	28,587,359	24,545,594
Premium Contract Receivable 应收其他担保费-合同相关	9(iii)	6,612,735	-
Total current trade and other receivables 短期应收及其他应收款合计		108,833,956	93,251,218
Non-current 长期			
Other receivables 其他应收款	9(iv)	860,000	5,684,743
Guarantee Fee Contract Receivable 应收财务担保费-合同相关	9(iii)	15,759,304	10,422,346
Premium Contract Receivable 应收其他担保费-合同相关	9(iii)	5,530,266	-
Total non-current trade and other receivables 长期应收及其他应收款合计		22,149,570	16,107,089

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

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

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

(iv) Other receivables mainly represents unsecured loans to employees of the Company and to external third parties.

a) Impairment of trade receivables

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

(i) The movement in the allowance for trade receivables during the year is as follows:

	Note	2014 RMB	2013 RMB
Balance at 1 January 2014		3,180,777	416,283
Impairment (write back) incurred for the year	4	(1,310,339)	2,764,494
Write-off incurred for the year		-	-
Balance at 31 December 2014		1,870,438	3,180,777

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9. Trade and Other Receivables (con't) 应收及其他应收款

b) Trade receivables that are not impaired

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

	2014 RMB	2013 RMB
Neither past due nor impaired	65,947,967	56,875,144
Less than 3 months past due	4,026,350	9,998,049
More than 3 months but less than 12 months past due	28,324,235	23,164,413
More than 12 months	3,680,100	11,071,698
Total	101,978,652	101,109,304

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 Company has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

10 Other current assets 其他流动资产

	2014 RMB	2013 RMB
Current 短期		
Prepayment 预付款	547,166	1,099,025
Total other current assets 其他流动资产合计	547,166	1,099,025

11 Pledged bank deposits 抵押银行保证金

	2014 RMB	2013 RMB
Current 短期	350,157,455	256,726,951
Non-current 长期	51,847,000	32,721,000
Total pledged bank deposits 抵押银行保证金	402,004,455	289,447,951

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12 Property, Plant and Equipment 固定资产

	2014 RMB	2013 RMB
Furniture and Fittings 家具设备		
At cost 购入价值	1,384,054	1,195,794
Accumulated depreciation 累计折旧	(505,187)	(257,805)
Total Furniture and Fittings 家具设备合计	878,867	937,989
Office Equipment 办公设备		
At cost 购入价值	3,074,999	2,412,670
Accumulated depreciation 累计折旧	(1,756,292)	(1,036,474)
Total Office Equipment 办公设备合计	1,318,707	1,376,196
Motor Vehicles 交通工具		
At cost 购入价值	9,288,789	7,858,294
Accumulated depreciation 累计折旧	(3,801,005)	(1,781,514)
Total Motor Vehicles 交通工具合计	5,487,784	6,076,780
Total property, plant and equipment 固定资产合计	7,685,358	8,390,965

a) Movements in Carrying Amounts 账面价值变动

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

	Furniture and Fittings 家具设备 RMB	Office Equipment 办公设备 RMB	Motor Vehicles 交通工具 RMB	Total 总计 RMB
Balance at 1 January 2014 2014年1月1日账面价值	937,989	1,376,196	6,076,780	8,390,965
Addition 购入	188,259	662,329	1,430,989	2,281,577
Disposal 售出	-	-	(49,352)	(49,352)
Depreciation expense 折旧费用	(247,381)	(719,818)	(1,970,633)	(2,937,832)
Balance at 31 December 2014 2014年12月31日账面价值	878,867	1,318,707	5,487,784	7,685,358

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13 Intangible Assets 无形资产

	2014 RMB	2013 RMB
Computer software 电脑软件	130,400	68,000
Accumulated amortisation 累计摊销	(23,189)	(11,185)
Total Intangible Assets 无形资产合计	107,211	56,815

14 Liabilities from guarantees 财务担保负债

	2014 RMB	2013 RMB
Current liabilities 短期负债		
Deferred income – FGC 财务担保递延收入	38,456,170	28,524,244
Provision for guarantee losses 担保损失准备金	2,476,724	1,869,656
Total current liabilities from guarantees 短期担保负债合计	40,932,894	30,393,900
Non-current liabilities 长期		
Deferred income – FGC 财务担保递延收入	16,697,242	10,098,945
Total Non-current Provisions 长期担保负债合计	16,697,242	10,098,945

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

a) Movements in Carrying Amounts 账面价值变动

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

	总计 RMB
Balance at 1 January 2014	
2014 年 1 月 1 日账面价值	1,869,656
Charge/(written back) for the year 本年新增	607,068
Balance at 31 December 2014	
2014 年 12 月 31 日账面价值	2,476,724

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15 Liabilities from insurance contracts 其他担保负债-保险类合同

	2014 RMB	2013 RMB
Current liabilities 短期负债		
Deferred income – Other guarantee 其他担保递延收入	11,266,313	-
Unexpired risk liability 未到期责任风险	756,576	-
Total current liabilities from insurance contracts 短期担保 负债合计	12,022,889	-
Non-current liabilities 长期		
Deferred income – Other guarantee 其他担保递延收入	11,517,130	-
Total Non-current liabilities from insurance contracts 长期 担保负债合计	11,517,130	-

16 Other Current Liabilities 其他流动负债

	2014 RMB	2013 RMB
Current 短期		
Wages and Salaries Payables 应付工资	3,049,758	2,821,586
Other payables 其他应付	29,367,602	4,001,304
Related party payable 关联方应付款	7,735,000	676,183
Total other current liabilities 其他流动负债合计	40,152,360	7,499,073
Non-current 长期		
Other payables 其他应付	4,735,000	4,800,000
Total other non-current liabilities 其他非流动负债合计	4,735,000	4,800,000

17 Taxation 所得税

	2014 RMB	2013 RMB
Current 短期		
Income tax asset – prepaid company income tax 所得税资产	102,019	160,040
Total tax asset 所得税资产	102,019	160,040

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18 Issued Capital 实收资本

	2014 RMB	2013 RMB
Share capital 实收资本	500,000,000	500,000,000
Total Issued Capital 实收资本合计	500,000,000	500,000,000

In 2014, the Company's share capital represents historical capital injection by Mr Zhen Hua Guo (executive chairman/CEO), Ms Wen Feng Tang (COO), Mr Sheng Wei Wang, Mr Xing Long Li, Mr Bo Li, Dao Capital Company Limited, Mr Feng Zhang, Mr Tao Ren, Mr Cong Jun Zheng, Mr Ju Liang Liu, Mr Hong Qiang Yuan and Tianjiu Fuhua (Beijing) Investment Co., Ltd. There are no shares currently issued.

Each of them holds an interest in the entity equal to a percentage based on their respective capital injections and representing their voting rights: Mr Zhen Hua Guo 48.280%, Ms Wen Feng Tang 22.457%, Mr Sheng Wei Wang 4.548%, Mr Xing Long Li 4.548%, Mr Bo Li 4.548%, Dao Capital Company Limited 3%, Mr Feng Zhang 2.723%, Mr Tao Ren 2.723%, Mr Cong Jun Zheng 1.815%, Mr Ju Liang Liu 1.815%, Mr Hong Qiang Yuan 1.815%, and Mr Tianjiu Fuhua (Beijing) Investment Co., Ltd 1.728%.

Mr Guo, Ms Tang, Mr Wang, Mr Xing Long Li, Mr Bo Li, Dao Capital Company Limited, Mr Zhang, Mr Ren, Mr Zheng, Mr Liu, Mr Yuan and Tianjiu Fuhua (Beijing) Investment Co., Ltd are entitled to return of capital on wind up of the entity in the same proportion as voting rights.

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19 Capital Management 资本管理

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

During 2014, there were no changes in the Company's approach to capital management from 2013.

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

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

As at 31 December 2014, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of the entity are as follows:

		2014	2013
	Note	RMB'000	RMB'000
Outstanding guarantees	24(a)	3,285,150	1,902,380
- Finance guarantee		2,528,570	1,902,380
- Performance guarantee		668,090	-
- Litigation guarantee		88,490	-
Net assets of the entity		679,024	613,127
Registered/paid-in capital of the entity		500,000	500,000
Multiples of			
- net assets		4.84	3.10
Paid in capital		6.57	3.80

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20 Statutory Reserves 法定公积

	2014	2013
	RMB	RMB
Statutory reserve 法定公积	7,118,020	3,742,957
Total Reserves 公积合计	7,118,020	3,742,957

Statutory Reserve

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

21 Commitments 承诺事项

(a) Capital Commitments

The Company does not have any capital commitments as at 31 December 2014.

(b) Operating Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements are as follows:

	2014	2013
	RMB	RMB
Payable — minimum lease payments 应付- 最低租金费用		
not later than 12 months 12 个月之内	3,583,724	3,470,677
between 12 months and five years 12 个月至 5 年间	7,545,708	9,698,225
greater than five years 5 年以后	-	166,860
Total	11,129,432	13,335,762

22 Events After the Balance Sheet Date 年终后发生事件

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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23 Related Party Transactions 关联方交易

a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related parties:

<i>Name of related party</i>	<i>Relationship</i>
Mr Zhen Hua Guo	Shareholder / Executive Chairman/CEO
Ms Wen Feng Tang	Shareholder / COO
Mr Sheng Wei Wang	Shareholder
Mr Xing Long Li	Shareholder
Mr Bo Li	Shareholder
Dao Capital Company Limited	Shareholder
Mr Feng Zhang	Shareholder
Mr Tao Ren	Shareholder
Mr Cong Jun Zheng	Shareholder
Mr Ju Liang Liu	Shareholder
Mr Hong Qiang Yuan	Shareholder
Tianjiu Fuhua (Beijing) Investment Co., Ltd	Shareholder

b) Amounts receivable from related parties

	2014	2013
	RMB	RMB
Other receivables		
(i) Loans to shareholders:		
Beginning of the year	(676,183)	-
Loan advanced	5,312,200	-
Loan repayment received	(1,465,264)	-
End of the year	3,170,753	-

c) Amounts payable to related parties

	2014	2013
	RMB	RMB
Other payables		
(i) Loans from shareholders:		
Beginning of the year	470,000	-
Loan advanced	16,300,000	737,319
Loan repayment received	(9,035,000)	(61,136)
End of the year	7,735,000	676,183

Related party balances comprise related party loans and no specific terms and no interest is charged to or from related parties.

24 Financial Instrument Risk Management 金融工具风险管理

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

(a) Credit risk

Credit risk primarily arises from the possibility that customers may default on their guaranteed loan, leading to losses by the Company. Credit risk is primarily attributable to unexpired financial guarantees issued by the Company. The Company has entered into the following types of guarantee contracts:

- Financial guarantee contracts in which the Company has guaranteed the banks the repayment of loans entered into by its customers
- Performance guarantee contracts in which the Company has guaranteed to a third party the performance of an obligation of its customers
- Litigation guarantee contracts in which the Company has guaranteed to a third party the shortfall of collateral pledged under litigation to its Customer

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

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

- (i) Design and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite;
- (ii) Design and execution of due diligence procedures;
- (iii) Review the creditworthiness of customers before submitting to the executive chairman for final approval.

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

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

24. Financial Instrument Risk Management (con't) 金融工具风险管理

(a) Credit risk (con't)

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

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

As at 31 December 2014, the carrying value of outstanding guarantees of RMB 3,285,146,668 (2013: RMB 1,902,376,772) is fully or partially covered by collateral. At 31 December the total maximum guarantees issued are as follows:

	2014 RMB	2013 RMB
Financial guarantee	2,528,570,806	1,902,376,772
Performance guarantee	668,092,000	-
Litigation guarantee	88,483,862	-
Total	3,285,146,668	1,902,376,772

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

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

(i) Risk concentration

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

24. Financial Instrument Risk Management (con't) 金融工具风险管理

(a) Credit risk (con't)

(i) Risk concentration (con't)

The Company has significant level of concentration of exposure to manufacturing and processing industry in respect of total maximum financial guarantees issued and significant level of concentration of exposure to financial service industry in respect of total maximum insurance contracts issued for performance and litigation guarantee. The credit risk in respect of these guarantees as at 31 December is as follows:

Financial Guarantee contracts	The Company			
	2014		2013	
	RMB'000	%	RMB'000	%
Manufacturing and processing	604,720	24	493,380	26
Wholesales and retailing	876,170	34	546,050	29
Construction and installation	97,310	4	18,000	1
Financial services	93,000	4	134,000	7
Tourism and service sector	155,030	6	98,000	5
Real Estate	41,900	2	47,000	2
Transportation	26,000	1	20,000	1
Others	634,440	25	545,950	29
Total	2,528,570	100	1,902,380	100
Insurance Contracts - Performance and Litigation Guarantee	The Company			
	2014		2013	
	RMB'000	%	RMB'000	%
Manufacturing and processing	93,600	12	-	-
Wholesales and retailing	15,030	2	-	-
Construction and installation	23,830	3	-	-
Financial services	502,520	66	-	-
Tourism and service sector	41,500	6	-	-
Real Estate	18,250	3	-	-
Transportation	-	-	-	-
Others	61,850	8	-	-
Total	756,580	100	-	-

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24. Financial Instrument Risk Management (con't) 金融工具风险管理

(a) Credit risk (con't)

Concentrations of insurance risk

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

	2014		2013	
	RMB'000	%	RMB'000	%
Manufacturing and processing	3,981	11	-	-
Wholesales and retailing	276	1	-	-
Construction and installation	238	1	-	-
Financial services	30,025	82	-	-
Tourism and service sector	1,275	4	-	-
Real Estate	297	1	-	-
Transportation	-	-	-	-
Others	311	1	-	-
Total	36,403	100	-	-

The Company's other credit risk is attributable to bank deposits and security deposits.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of the Company are mainly held with big 4 state owned commercial banks, other large local commercial banks and credit unions in China. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

(b) Market risk

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

(i) Currency risk

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

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

(ii) Interest risk

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

24. Financial Instrument Risk Management (con't) 金融工具风险管理

(c) Liquidity risk

Management regularly monitors the Company's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The remaining contractual maturities at the end of the reporting period of the Company's financial liabilities are reflected in the classification of financial liabilities as current or non-current in notes 14, 15 and 16.

(d) Insurance contracts and associated risks

Objectives, policies and processes

Performance and litigation guarantee contracts are categorised as insurance contracts under IFRS 4 *Insurance Contracts*. The objectives, policies and procedures for managing risks arising from these contracts and the methods used to manage those risks are described in Note 24(a)

Number of insurance contracts issued during the year

The number of insurance contracts issued during the year were 27 in total. As at 31 December 2014, 20 remained active and 7 have been completed.

Claims information

No claims had been made by holders of performance or litigation guarantees as at 31 December 2014 for the number of insurance contracts mentioned above. As a result, a table has not been presented detailing actual claims with previous estimates (i.e. claims development table)

Sensitivity and concentration of insurance risk

As at 31 December 2014 no claims had been made by holders of performance or litigation guarantees. Further to this, the Company has reviewed the position of the underlying obligations of these contracts and does not expect a material claim to arise from them. Profit or loss would be impacted if this assessment was to change. The maximum extent of this change would be the guarantees which are summarised at Note 24(a)(i).

Performance and litigation guarantee contracts are similar in nature to financial guarantee contracts and the company therefore considers credit, market and liquidity risk across all contracts. The distinction in the contracts solely relates to the classification under International Financial Reporting Standards with financial guarantee contracts able to be accounted for outside of the requirements of IFRS 4 *Insurance Contracts*. As a result Note 24 (a) – (c) apply equally to all contracts. Where material differences occur in risk, information is presented separately. There are no embedded derivatives in any contract.

24. Financial Instrument Risk Management (con't) 金融工具风险管理

(e) Fair values

The carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012. The fair value measurements of financial instruments carried at cost or amortised cost are using Level 2 inputs as defined in IAS 13. The description of valuation techniques and inputs for the fair value measurements are set out in note 24(f).

(f) Estimation of fair value

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

(i) Trade and other receivables

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

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24. Financial Instrument Risk Management (con't) 金融工具风险管理

(f) Estimation of fair value (con't)

(ii) Guarantees issued

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

(iii) Interest rates used for determining fair value

The market interest rates adopted for determining the fair value of guarantee fee receivables is 18.5%.

25 Key Management Personnel Compensation

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

	2014	2013
	RMB	RMB
Short-term employee benefits	354,000	345,100
Total KMP compensation	354,000	345,100

26 General Insurance Disclosures

(a) Underwriting result

	Note	2014	2013
		RMB	RMB
Direct premium revenue	2	12,815,553	-
Inwards reinsurance premium revenue		-	-
Recoveries revenue		-	-
		12,815,533	-
Claims expense	2	-	-
Outwards reinsurance premium expense		-	-
Underwriting expense		-	-
		12,815,533	-
Total underwriting result		12,815,533	-

(b) Net claims incurred

Amount relating to risks borne in current period	-	-
Amounts relating to reassessment of risks borne in all previous accounting periods	-	-
Total net claims incurred	-	-

(c) Outstanding claim liability

No claims have been lodged on any insurance contracts issued by the company, nor has there been an indication of a claim event.

Ding Sheng Xin Financing Guarantee Co., Ltd
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27 Company Details 办公地址

The registered office of the Company is:
Ding Sheng Xin Financing Guarantee Co., Ltd
Level 15, 150 Ruijinbei Road, Tianhong Building
Yunyan Districts
Guiyang City, Guizhou Province, China

Director's Declaration 董事申明

The director of the Company declares that:

1. The financial statements and notes, as set out on pages 5 to 37 are in accordance with
 - a. International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the Company.
2. In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Director.


Mr Zhen Hua Guo
Executive Chairman/CEO

Dated 21 August 2015

Independent Auditor's Report

To the members of Ding Sheng Xin Financing Guarantee Co., Ltd

Report on the Financial Report

We have audited the accompanying financial report of Ding Sheng Xin Financing Guarantee Co., Ltd, which comprises the statements of financial position as at 31 December 2014, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and Director's declaration statement of the entity at the year's end or from time to time during the financial year.

Director's Responsibility for the Financial Report

The Director of the Company is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes such internal controls as the Director determines are necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the Director also states that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion, the financial report of Ding Sheng Xin Financing Guarantee Co., Ltd:

- a. Presents fairly, in all material respects, the entity's financial position as at 31 December 2014 and of its performance and cash flows for the year ended; and
- b. Complies with International Financial Reporting Standards.

MOORE STEPHENS ASSURANCE ADELAIDE PTY LTD



**JIM GOUSKOS
DIRECTOR, ASSURANCE
ADELAIDE**

Dated 21 August 2015