

# ASX RELEASE

ASX DXF • ABN 64 603 612 479

29 July 2016

## Quarterly Report

For the quarter ended 30 June 2016

**Ding Sheng Xin Finance Co. Ltd (ASX:DXF)** (“DXF” or the “Company”) is pleased to provide the following update on its activities during the three-month period ended 30 June 2016 and its Appendix 4C quarterly cash flow report for the same period.

### *Progression of Expansion Strategy.*

During the five-month period since the Company successfully listed on the Australian Securities Exchange, the Company has continued to progress its core objectives for 2016, being:

- expansion through the establishment of new branches and representative offices;
- the identification of other medium sized guarantee companies as potential acquisition targets;
- the expansion of the Group’s product offerings including the development of non-financial guarantee services to provide additional consumer-based guarantee products with a focus on home renovation & furnishing and vehicle purchases; and
- cooperation with Non-Banking Financial Institutions (NBFI) to facilitate more service products tailored for small & medium size enterprises.

### *Entry into Australian Market*

Subsequent to the end of the June 2016 quarter, the Company announced its plans to expand its operations into the Australian market, enabling Australia-based businesses and individuals to access the Company’s innovative portfolio of finance products.

Through a collaborative partnership with Sydney based financial institution, Honourplus Funds Management Pty Ltd (‘Honourplus’) and its affiliated financial education and training provider, FX Plus Trading Academy Pty Ltd (“FXPlus”), the Company plans to develop and offer small scale finance products to the Australian markets, initially targeting Chinese-Australian residents and non-residents who would otherwise find access to finance in Australia difficult due to lack of Australian-based assets to offer as security for lending.

In line with the Company’s expansion strategy through acquisitions, the partnership includes an equity investment into both Honourplus and FXPlus whereby DXF will subscribe for 20% of the issued capital of each company for an investment of \$200,000 in each company.

The Company has also joined forces with Honourplus and FXPlus for the opening of its Sydney based office centrally located at Level 5, 9 Castlereagh Street, Sydney NSW and has appointed Honourplus and FXPlus CEO, Emma Wang as General Operations Manager – Australia.

Leveraging off the existing strong networks of Honourplus and FXPlus in the Chinese Australian investment community, and its experienced local management team, the Company believes the partnership will provide DXF with the necessary management support, infrastructure and client base to fast track the Company’s entry into its first foreign market outside of China.

### Additional Branches

During the quarter, the Company’s wholly owned Chinese operating subsidiary, Ding Sheng Xin Financing Guarantee Co., Ltd (“**DSX**”), progressed the establishment of three new branches in China, being its Hainan, Liaoning, and Qinghai branches.

All three branches are progressing through the various stages of government and regulatory approvals, construction and fitout, hiring and training of staff and marketing and promotion.

The Liaoning branch is the most advanced of the three and is intended to open in the current quarter with the remaining two branches to follow before the end of 2016.

The increased branch numbers extend the footprint of DSX, establish brand awareness and increase the number of customers to whom the DSX products will be available.



**Figure 1: Map showing locations of DSX’s branches in China**

## *New Products*

At the Annual General Meeting held in China in June, DSX announced its intention to launch two new products in the second half of 2016, being:

- “*Zheng Zhuang Dai Fa*”: a new finance guarantee product, similar to the Company’s existing products, targeting customers with existing loans seeking refinancing terms; and
- “*Geng Xin Huan Dai*”: a new finance guarantee product, similar to the Company’s existing products, targeting provincial government customers seeking to finance local infrastructure projects through bank funding.

The Company has already received strong interest in the new products, and is currently progressing a product trial on its Zheng Zhuang Dai Fa product as approved by Mayor of Guiyang City.

## *Marketing and Promotion*

On 1 April 2016, following the Company’s successful listing on the ASX the Company held a promotional conference in China at which over 500 guests attended to show their support of the Company’s important milestone. Attendees included provincial and state government officials, representatives from banking and other financial institutions, famous Chinese entrepreneurs, representatives from the guarantee and small loan industry, representatives from national business association, major shareholders and high net worth individuals and media.

Being the first Chinese financing guarantee Company to list on a foreign securities exchange, the Company’s ASX listing also attracted significant media attention during the quarter, with the Company, its operations and its products featuring in several media publications throughout China, including. People’s Daily, China Economic Weekly, China Security Association, Guizhou Daily, Guizhou Economic and Guizhou Business.

The Company also held two promotional conferences in Sydney during July to coincide with the Company’s announcement of its partnership with Honourplus and FXPlus and the Company’s planned expansion into the Australian market which were both well attended, further validating the Company’s view that there will be strong demand for its products in the Australian Chinese community as well as interest in the securities of the Company from Australian investors.

The Company has been encouraged by ongoing support and interest in the its activities and will continue to capitalise on this momentum with targeted marketing and promotional activities focussed on establishing brand and product awareness to position the Company as a leading provider of financing and non-financing guarantee products in China and Australia.

## *Appendix 4C*

As at 30 June 2016, the Group had a cash balance of A\$114.95 million as outlined in the accompanying Appendix 4C.

For more information:

### **Winton Willesee**

Executive Director

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## About Ding Sheng Xin Finance Co. Limited

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

*Financing guarantee services* represent the Group’s core business and involves the guarantee of a borrower’s loan repayments to a bank. DSX has two flagship guarantee services which are the “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).

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

Since the establishment of its business in 2005, DSX has grown to 16 operating branches employing over 500 people across several provinces in the PRC. In aggregate, DSX has guaranteed more than RMB 8 billion (approximately A\$1.6 billion) for approximately 8,000 customers over that time.

The Group is committed to the concept of ‘inclusive finance’, believing that people and businesses from all sectors of society should have the opportunity to obtain finance. The Group 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.

Following its successful listing on the ASX in March 2016, the Group is now focussed on the continued growth of its business through the expansion of its branch network throughout the PRC and Australia.

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

**Ding Sheng Xin Finance Co. Ltd**

ABN

**64 603 612 749**

Quarter ended ("current quarter")

**30 June 2016**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$'000	Year to date (6 months) \$'000
1.1 Receipts from customers	12,708	15,547
1.2 Payments for		
(a) staff costs	(1,005)	(2,261)
(b) advertising and marketing	(34)	(95)
(c) research and development		
(d) leased assets	(218)	(524)
(e) other working capital	(2,710)	(2,823)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	198	328
1.5 Interest and other costs of finance paid	(8)	(20)
1.6 Income taxes and other taxes paid	(1,011)	(1,810)
1.7 Receipt from other working capital (Return of Security)	10,301	10,301
<b>Net operating cash flows</b>	<b>18,221</b>	<b>18,643</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	18,221	18,643
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(8)	(17)
(e) other non-current assets		
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
	(8)	(17)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	18,213	18,626
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		10,268
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
	0	10,268
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>	18,213	28,894
1.21 Cash at beginning of quarter/year to date	96,827	90,109
1.22 Exchange rate adjustments to item	(90)	(4,053)
<b>1.23 Cash at end of quarter</b>	114,950	114,950

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	19
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Executive Director Salaries	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

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+ See chapter 19 for defined terms.

**Appendix 4C**  
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**admitted on the basis of commitments**

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**Reconciliation of cash**

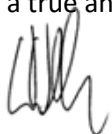
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	114,950	96,827
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.23)</b>	<b>114,950</b>	<b>96,827</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

  
 29 July 2016

Sign here: ..... Date: .....

(Director/Company secretary)

Winton Willesee

Print name: .....

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+ See chapter 19 for defined terms.



## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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