

ASX RELEASE

ASX DXF • ABN 64 603 612 479

27 July 2017

Quarterly Report

For the quarter ended 30 June 2017

Leading Chinese guarantee services provider **Ding Sheng Xin Finance Co. Ltd (ASX:DXF)** (“DXF” or the “**Company**”) is pleased to provide the following update on activities during the three-month period ended 30 June 2017 and its Appendix 4C Quarterly cash flow report for the same period.

Ongoing progress

DSX Finance is a leading guarantee services company, and provides financing and non-financing guarantee services to small and medium enterprises (SMEs) and individuals in the People’s Republic of China (PRC).

The Company is founded on the principle of ‘inclusive finance’ which aims to help consumers and small businesses obtain finance and realise their aspirations. DSX Finance’s products help promote social and economic growth and include home renovation guarantees, working capital guarantees and non-financial guarantees.

Through the quarter, cognisant of the difficult trading conditions in the PRC and particularly in the property and guarantee sectors, as a diversification strategy the Company increased its focus on its asset management capabilities. The Company is in the early stages of planning for the development and growth of its asset management capabilities/products with a view to building a meaningful business segment for the Company.

Response to ASX Query

On 5 May 2017, the Company provided a response to an ASX query in relation to questions raised by the ASX regarding judgements made involving the Company’s subsidiary (“PRC DSX”) in the People’s Republic of China. It is a natural consequence of the nature of PRC DSX business, being guaranteeing the repayment of loans and other specific performances, that it will be involved in legal processes.

In relation to the matter in the Supreme People’s Court of China, the Company noted it disputes the declaration and has now submitted its filings in relation to the matter.

Delayed Dividend Payment Update

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

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

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

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

Balance sheet

At 30 June 2017, the Group held A\$ 64 million in cash and cash equivalents, as well as A\$ 33 million in security deposits and A\$37 million in refundable earnest money.

For more information:

Winton Willesee

Chairman

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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 19 operating branches employing over 300 people across four 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.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Ding Sheng Xin Finance Co.Ltd

ABN

64 603 612 749

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (2,190.58 is prepayment revenue)	5,216.62	8,849.47
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,239.18)	(20.93)
(c) advertising and marketing	(32.20)	(71.32)
(d) leased assets	(102.56)	(175.11)
(e) staff costs	(455.59)	(1,093.66)
(f) administration and corporate costs	(836.78)	(436.87)
1.3 Dividends received (see note 3)		
1.4 Interest received	35.86	144.30
1.5 Interest and other costs of finance paid	(1.69)	(4.88)
1.6 Income taxes paid	(429.66)	(660.59)
1.7 Government grants and tax incentives		
1.8 Other (subrogation payments)	(29,299.89)	(32,375.25)
1.9 Net cash from / (used in) operating activities	(26,221.97)	(25,815.06)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	0.33	
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0.53	0.53
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	0.86	0.53

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(7.15)	(7.15)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(7.15)	(7.15)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	88,935.08	93,001.15
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(26,221.97)	(25,815.06)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0.86	0.53
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7.15)	(7.15)
4.5	Effect of movement in exchange rates on cash held	1,652.85	(2,819.81)
4.6	Cash and cash equivalents at end of quarter	64,359.66	64,359.66

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	64,359.66	88,935.08
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	64,359.66	88,935.08

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	17.19
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0.00
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	39.43
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(29.00)
9.3 Advertising and marketing	(38.00)
9.4 Leased assets	(192.00)
9.5 Staff costs	(576.00)
9.6 Administration and corporate costs	(192.00)
9.7 Other (provide details if material)	0.00
9.8 Total estimated cash outflows	(1,027.00)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



27 July 2017

Sign here:
(Director)

Date:

Winton Willesee

Print name:

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.