

18 February 2016

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

Private & Confidential

Dear Sirs

INVESTIGATING ACCOUNTANTS REPORT

INDEPENDENT LIMITED ASSURANCE REPORT ON DING SHENG XIN FINANCING CO. LIMITED PRO FORMA HISTORICAL AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. Introduction

Moore Stephens (Vic) Pty Ltd [ABN 17 386 983 833] (**Moore Stephens**) has been engaged by Ding Sheng Xin Finance Co. Limited (ACN 603 612 479) (**Company**) to prepare an Independent Limited Assurance Report (**Report**) on Financial Information to be provided to the Australian Stock Exchange in respect of the Company's application to list.

The Company issued a Prospectus dated 28 August 2015, a Supplementary Prospectus dated 10 November 2015 and a Second Supplementary Prospectus dated 26 November 2015 for an offer of up to 50 million shares at an issue price of 60 cents per share (**Prospectus**). The offer under the Second Supplementary Prospectus closed on 17 February 2016 with the Company successfully raising \$10.268 million before costs through the issue of 17.113 million shares at 60 cents per share to raise, (**Capital Raising**).

Expressions and terms defined in the Prospectus and the Appendix have the same meaning in this Report unless otherwise stated.

2. Scope

You have requested Moore Stephens to review the following information prepared by the Company, which for reference has been included as **Appendix** to this report:

- a) Pro Forma Historical Financial Information of Ding Sheng Xin Financing Guarantee Co. Ltd, a company incorporated and domiciled in the PRC (**PRC DSX**); and
- b) Pro-Forma Consolidated Historical Financial Information of the Company assuming completion of the acquisition of PRC DSX¹ and the Capital Raising, as at 30 June 2015

Collectively referred to as the **Financial Information**.

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

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

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information comprises the Historical Statement of Financial Position as at 30 June 2015 of PRC DSX, restated and presented in Australian dollars at applicable exchange rates for that period.

The Pro Forma Historical Financial Information has been extracted from the Audit Reviewed financial statements of PRC DSX prepared in accordance with International Financial Reporting Standards (IFRS) and denominated in RMB, its functional currency. Those financial statements were reviewed, which is not an audit, by Moore Stephens Assurance Adelaide Pty Ltd in accordance with Australian Auditing Standards and on which an unmodified review opinion was issued.

Pro Forma Consolidated Historical Financial Information

The Pro Forma Consolidated Historical Financial Information comprises the Historical Statement of Financial Position, the Consolidated Historical Statement of Financial Position and the Pro Forma Statement of Changes in Equity of the Company as at 30 June 2015 after accounting for the acquisition of PRC DSX and completion of the Capital Raising, as if those events and transactions had occurred at that date.

The stated basis of preparation used in the preparation of or the Pro Forma Consolidated Historical Financial Information is the measurement and recognition principles of International Financial Reporting Standards (IFRS) and the Company's adopted accounting policies set out in Section 4.5.4 of the Prospectus.

Due to its nature the Pro Forma Consolidated Historical Financial Information does not represent the Company's actual financial position as at 30 June 2015.

3. Directors' Responsibility

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

4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Financial Information, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. The procedures we performed were based on our professional judgement and included:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the historical financial information of the Company and PRC DSX from its Audit Reviewed financial statements as at 30 June 2015;
- consideration of the pro forma adjustments in respect of the Capital Raise;
- enquiry of directors, management, personnel and advisers;
- the performance of analytical procedures applied to the Financial Information; and
- a review of accounting policies adopted by the Company as disclosed in Section 4.5.4 of the Prospectus for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially

lower than the assurance that would have been obtained had we performed an audit in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion.

5. Conclusions

Pro Forma Historical and Pro Forma Consolidated Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical and Pro Forma Consolidated Historical Financial Information, as set out in the Appendix A, is not prepared fairly, in all material respects, in accordance with the basis of preparation stated above being the measurement and recognition principles of International Financial Reporting Standards (IFRS) and the Company's adopted accounting policies applied to the Pro Forma Historical Financial Information and the events and transactions arising from the acquisition of PRC DSX and the Capital Raise, as if those events and transactions had occurred as at 30 June 2015.

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

6. Restriction on Use

Without modifying our conclusions, we note that the purpose of the Financial Information is for inclusion in the Company's listing application to the Australian Stock Exchange. As a result, the Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this Report, or the Financial Information to which it relates, for any purposes other than for which it was prepared.

7. Liability

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

8. Independence or Declaration of Interest

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

Neither Moore Stephens nor its directors or employees have any interest in the outcome of the capital raising other than in the preparation of this Report, in accordance with its normal fee billing arrangements.

Yours faithfully

Moore Stephens (Vic) Pty Ltd

Holder of Australian Financial Services Licence No: 247262



GARY GRACO
Director & Authorised Representative

APPENDIX - FINANCIAL INFORMATION

1. Pro Forma Consolidated Historical Financial Information as at 30 June 2015

Pro Forma Consolidated Statement of Financial Position as at 30 June 2015	Note	Reviewed 30 June 2015 – Company ⁽ⁱ⁾	Reviewed 30 June 2015 – PRC DSX ⁽ⁱⁱ⁾	Reviewed Pro Forma Actual Subscription ⁽ⁱⁱⁱ⁾
		\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents		0.1	75,033	84,153
Trade and other receivables	1	-	22,474	22,474
Other current assets	2	-	130	130
Pledged bank deposits	3	-	65,532	65,532
Total current assets		-	163,169	172,289
Non-current assets				
Trade and other receivables	1	-	3,747	3,747
Pledged bank deposits	3	-	9,395	9,395
Property, plant and equipment	4	-	1,314	1,314
Intangibles	5	-	21	21
Others		-	-	213
Total non-current assets		-	14,477	14,690
Total assets		-	177,646	186,979
Current liabilities				
Liabilities from financing guarantees	6	-	5,557	5,557
Liabilities from non-financing guarantees	7	-	4,150	4,150
Other current liabilities	8	-	11,759	11,759
Current tax liabilities	9	-	655	655
Total current liabilities		-	22,121	22,121
Non-current liabilities				
Liabilities from financing guarantees	6	-	1,978	1,978
Liabilities from non-financing guarantees	7	-	971	971
Other non-current liabilities	8	-	504	504
Total non-current liabilities		-	3,453	3,453
Total liabilities		-	25,574	25,574
Net assets		-	152,072	161,405
Issued capital	10	0.1	82,077 ^(iv)	92,329
Foreign currency translation reserve	11	-	39,881	39,881
Statutory reserves	11	-	1,206	1,206
Retained earnings		-	28,908	27,989
Total equity		-	152,072	161,405

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

Notes:

- (i) The parent company, Ding Sheng Xin Finance Co. Limited, was registered in Australia on 9 January 2015 with 100 shares and paid up capital of \$100.
- (ii) Reviewed PRC DSX financial information has been extracted from the Reviewed financial statements of PRC DSX for the half year ended 30 June 2015 for the purpose of the preparation of the pro forma statement of financial position.
- (iii) Reflects the impact of the following pro forma adjustments related to the Offer for actual Subscription:
 - (a) Subscription of 17,113,343 Shares at an issue price of \$0.60 raised \$10,268,006 before costs.
- (iv) Total expenses of the Offer of \$1,147,523 – \$20,022 has been directly off set against raised capital (\$16,305 net of tax) and \$1,127,501 has been expensed in accordance with International Financial Reporting Standards. Foreign Currency Translation

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

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

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

Share capital injections for PRC DSX are converted at the spot rates applicable on the dates of the relevant injections. Amount of capital paid was RMB 500,000,000. RMB 100,000,000, RMB 200,000,000, RMB 140,000,000 and RMB 60,000,000 has been translated from RMB to AUD\$ at an exchange rate RMB1: AUD\$0.16241, RMB1: AUD\$0.15254, RMB1: AUD\$0.17550 and RMB1: AUD\$0.17930 respectively.

2. Pro Forma Historical Consolidated Statement of Change in Equity for the Period to 30 June 2015

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

Pro Forma Consolidated Statement of Changes in Equity	Issued capital	Foreign currency translation reserve	Statutory reserve	Retained earnings
	\$'000	\$'000	\$'000	\$'000
Balance at incorporation	-	-	-	-
Shares issued on incorporation – 100 Shares	0.1	-	-	-
Balance at 30 June 2015	0.1	-	-	-
Pro forma transaction				
Amounts recognised as a consequence of a common control transaction	82,077	39,881	1,206	28,908
Issue of 17,113,343 Shares under the Offer – Actual Subscription	10,268	-	-	-
Expenses of the offer	(20)	-	-	(1,128)
Deferred tax assets associated with capital raising costs not recognised	4	-	-	209
Pro forma balance – actual subscription	92,329	39,881	1,206	27,989

The above Pro Forma Consolidated Statement of Changes in Equity should be read in conjunction with the set out below.

3. Basis of Preparation for Pro Forma Consolidated Statement of Financial Position

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

(a) Corporate restructure of Group subsequent to 30 June 2015

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

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

(b) Actual Subscription

The issue of 17,113,343 Offer Shares at an issue price of \$0.60 each to raise \$10,268,006 less costs estimated to be \$1,147,523. \$20,022 has been directly off set against raised capital (\$16,305 net of tax) and \$1,127,501 has been expensed in accordance with Australian Accounting Standards

4. Notes to the Pro Forma Historical Consolidated Statement of Financial Position

Note 1: Trade and other receivables

Trade and other receivables	Note	Reviewed	Pro Forma Actual Subscription
		\$'000	\$'000
Current			
Guarantee fee receivable	1(i)	-	2,573
Subrogation receivables	1(ii)	-	10,617
Less: allowance for doubtful debts	1(iii)	-	(531)
		-	12,659
Other receivables	1(v)	-	1,052
Financing guarantee fees receivable	1(iv)	-	4,680
Non-financing guarantee fees receivable	1(iv)	-	4,083
Total current trade and other receivables		-	22,474
Non-current			
Other receivables	1(v)	-	222
Financing guarantee fees receivable	1(iv)	-	2,945
Non-financing guarantee fees receivable	1(iv)	-	580
Total non-current trade and other receivables		-	3,747

- (i) Guarantee fee receivables represent fee income receivable from customers.
- (ii) Subrogation receivables represent payment made by the Group to reimburse the beneficiary of a guarantee for a loss the customer incurred because it failed to make payment when due and is the acquired right to the impaired loan that the Group has assumed under the terms and conditions of the financing guarantee contracts it enters into. Subrogation receivables are interest bearing and the Group holds certain collaterals over certain customers.
- (iii) Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly.
- (iv) Financing guarantee fees receivable and non-financing guarantee fees receivable represent the present value of future cash flows in relation to existing contracts.
- (v) Other receivables mainly represents unsecured loans to employees of the Group and to external third parties.

Note 2: Other current assets

Other current assets	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current		
Prepayment	-	130
Total other current assets	-	130

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

Note 3: Pledged bank deposits

Pledged bank deposits	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current	-	65,532
Non-current	-	9,395
Total pledged bank deposits	-	74,927

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

Note 4: Property, plant and equipment

Property, plant and equipment	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Furniture and fittings		
At cost	-	333
Accumulated depreciation	-	(140)
Total furniture and fittings	-	193
Office equipment		
At cost	-	687
Accumulated depreciation	-	(445)
Total office equipment	-	242
Motor vehicles		
At cost	-	1,816
Accumulated depreciation	-	(937)
Total motor vehicles	-	879
Total property, plant and equipment	-	1,314

Note 5: Intangibles – Computer software

Intangibles – Computer software	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Computer software	-	27
Accumulated amortisation	-	(6)
Total intangible assets	-	21

Note 6: Liabilities from guarantees

Liabilities from guarantees	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current		
Deferred income – Financing guarantee contracts	-	5,342
Provision for guarantee losses	-	215
Total current liabilities from guarantees	-	5,557
Non-current		
Deferred income – Financing guarantee contracts	-	1,978
Total non-current liabilities from guarantees	-	1,978

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

Note 7: Liabilities from non-financing guarantees

Liabilities from non-financing guarantees	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current		
Deferred income – Other guarantee	-	4,017
Unexpired risk liability	-	133
Total current liabilities from non-financing guarantees	-	4,150
Non-current		
Deferred income – Other guarantee	-	971
Total non-current liabilities from non-financing guarantees	-	971

Note 8: Other liabilities

Other liabilities	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current		
Employee benefits and entitlements	-	233
Other payables	-	7,184
Related party payable	-	4,342
Total other current liabilities	-	11,759
Non-current		
Other payables	-	504
Total non-current liabilities	-	504

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

Note 9: Current tax liabilities

Current tax liabilities	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Current		
Income tax payable	-	655
Total tax assets	-	655

The income tax payable represents current income tax obligation to the Chinese taxation authorities at 30 June 2015.

Note 10: Issued capital

Issued capital	No. of Shares issued	\$'000
Shares on issue at 30 June 2015 – 100 Shares	100	0.1
Pro forma transactions		
- Issue of 499,999,900 Shares for the acquisition of PRC DSX ¹	499,999,900	82,077
- Issue of 17,113,343 Shares based on actual subscription	17,113,343	10,268
Less Offer costs (net of tax effect)	-	(16)
Pro forma issued capital – Actual Subscription	517,113,343	92,329

Note: The Company has adopted the common control method for the acquisition of PRC DSX, whereby the issued capital is recognised in accordance with the contributed capital as recorded in the financial statements of PRC DSX.

Note 11: Reserves

Reserves	Reviewed	Pro Forma Actual Subscription
	\$'000	\$'000
Foreign currency translation reserve	-	39,881
Statutory reserve ¹	-	1,206
Total reserves	-	41,087

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

Note 12: Controlled entities

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