

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

**2012 ANNUAL REPORT**  
For the year ended 31 December 2012

2012 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 2012.

### 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 38,129,563.

### Review of operations

The Company's business was fast developing in the year, RMB 38,129,563 net income was realized. As at the end of the financial year, the Company had cooperation relationship with 78 banks and the registered capital of the Company is RMB 300,000,000. The Company set up 2 new branches in the financial year and there were 6 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 principal activities of the Company during the financial year were providing financing guarantee services to individuals, SMEs and microenterprises to assist them in obtaining loans from banks or other financial institutions in China.

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

### Events subsequent to the end of the reporting date

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.

## Director's Report 董事报告

### **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.

### **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.

## Director's Report 董事报告

### 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 2012, 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 2012

	Note	2012 RMB
Revenue 收入	2	41,250,758
Other income 其他收入	3	19,784,407
Operating expenses 营业费用	4	(7,259,309)
Administration expenses 管理费用	5	(13,161,771)
Finance costs 财务费用	6	(49,214)
Profit before income tax 利润总额		40,564,871
Income tax expense 所得税	7	(2,435,308)
<b>Profit for the year 净利润</b>		<b>38,129,563</b>
Other comprehensive income 其他收益		-
<b>Total comprehensive income for the year 全面收益</b>		<b>38,129,563</b>

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 2012

	Note	2012 RMB
<b>Current assets 流动资产</b>		
Cash and cash equivalents 货币资金	8	150,155,263
Trade and other receivables 应收及其他应收款	9	35,264,777
Other current assets 其他流动资产	10	209,167
Pledged bank deposits 抵押银行保证金	11	180,108,187
Current tax asset 所得税资产	16	893,958
<b>Total current assets 流动资产合计</b>		<b>366,631,352</b>
<b>Non-current assets 非流动资产</b>		
Trade and other receivables 应收及其他应收款	9	11,894,308
Pledged bank deposits 抵押银行保证金	11	38,438,000
Property, plant and equipment 固定资产	12	4,390,746
Intangible assets 无形资产	13	63,619
<b>Total non-current assets 非流动资产合计</b>		<b>54,786,673</b>
<b>Total assets 资产合计</b>		<b>421,418,025</b>
<b>Current liabilities 流动负债</b>		
Liabilities from guarantees 担保负债	14	26,014,593
Other current liabilities 其他流动负债	15	8,522,865
<b>Total current liabilities 流动负债合计</b>		<b>34,537,458</b>
<b>Non-current liabilities 非流动负债</b>		
Liabilities from guarantees 担保负债	14	7,709,962
Other non-current liabilities 其他非流动负债	15	640,000
<b>Total non-current liabilities 非流动负债合计</b>		<b>8,349,962</b>
<b>Total liabilities 负债合计</b>		<b>42,887,420</b>
<b>Net assets 净资产</b>		<b>378,530,605</b>
<b>Equity 所有者权益</b>		
Share capital 实收资本	17	300,000,000
Statutory reserve 法定公积	19	1,957,284
Retained earnings 未分配利润		76,573,321
<b>Total equity 所有者权益合计</b>		<b>378,530,605</b>

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 2012

	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
<b>Balance at 1 January 2012 (Unaudited) 2012 年 1 月 1 日余额（未审计）</b>	<b>300,000,000</b>	<b>40,401,042</b>	<b>-</b>	<b>340,401,042</b>
Total comprehensive income for the year 年全面收益	-	38,129,563	-	38,129,563
Transfer to statutory reserve 转入法定公积	-	(1,957,284)	1,957,284	-
<b>Balance at 31 December 2012 2012 年 12 月 31 日余额</b>	<b>300,000,000</b>	<b>76,573,321</b>	<b>1,957,284</b>	<b>378,530,605</b>

## Statement of Cash Flows 现金流量表

For the year ended 31 December 2012

	Note	2012 RMB
<b>Cash flows from operating activities</b>		
Receipts from customers		59,668,261
Payments for pledged bank deposits		(114,563,420)
Payments to guarantee holders, suppliers and employees		(18,319,456)
Interest received		1,263,075
Finance costs		(49,214)
Income tax paid		(2,723,853)
<b>Net cash provided by (used in) operating activities</b>		<b>(74,724,607)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(3,859,050)
Purchase of Intangibles		(60,000)
Proceed from sale of non-current assets		380,188
<b>Net cash provided by (used in) investing activities</b>		<b>(3,538,862)</b>
<b>Cash flows from financing activities</b>		
Cash receipts(Advanced) From(to) non related parties		1,016,684
<b>Net cash provided by (used in) financing activities</b>		<b>1,016,684</b>
Net change in cash and cash equivalents held		(77,246,785)
Cash and cash equivalents at beginning of financial year		227,402,048
<b>Cash and cash equivalents at end of financial year</b>	<b>8</b>	<b>150,155,263</b>

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) with the exception of comparatives as referred to in note 1 (n).

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.

**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.

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

**b. Property, Plant and Equipment (con't)**

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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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(l) 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.

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

**e. Guarantees Issued (con't)**

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.

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 36.91 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 amount over its recoverable amount is expensed to the statement of comprehensive income.

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

**f. Impairment of Non-Financial Assets (con't)**

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.

**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. 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) 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.

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

**j. Revenue (con't)**

(iii) 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

(iv) 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.

(v) 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**

**k. 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(l))

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.

**1. 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".

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.

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

**1. Impairment of Receivables (con't)**

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.

**m. Borrowing Costs**

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

**n. Comparative Figures**

This is the first year preparation of financial statements under IFRS and comparatives have not been provided.

**o. Critical accounting estimates and judgments**

Key sources of estimation uncertainty are as follows:

**Provision for 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 2012 was 19%.

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

**p. 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.

**IFRS15 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.

**Ding Sheng Xin Financing Guarantee Co., Ltd**  
**Notes to Financial Statements**  
**For the year ended 31 December 2012**

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**2. Revenue 收入**

	2012 RMB
<b>Operating activities 营业收入</b>	
Guarantee Fee Income 担保费收入	38,770,338
Agency Fee Income 代办费收入	2,480,420
<b>Total Revenue 收入合计</b>	<b>41,250,758</b>

**3. Other Income 其他收入**

	2012 RMB
<b>Other Income</b>	
Government Grants 补贴	6,030,000
Interest income 利息收入	1,263,075
Interest income – guarantee fee receivable 担保费用折现利息收入	11,949,444
Other sundry income 其他收入	541,888
<b>Total other income 其他收入合计</b>	<b>19,784,407</b>

**4. Operating Expenses 营业费用**

	2012 RMB
<b>Operating expenses 营业费用</b>	
Salary and welfare expenses 销售工资及福利	3,639,316
Staff travelling and commuting expenses 差旅及交通费用	312,004
Impairment provision charged/(written back) for provision for guarantee losses 担保损失准备金	984,366
Impairment provision charged/(written back) for subrogation receivables 担保代偿准备金	150,683
Advertisements 广告费用	479,992
Other expenses 其他营业费用	1,692,948
Claim expense 索赔费用	-
<b>Total operating expenses 营业费用合计</b>	<b>7,259,309</b>

**5. Administration Expenses 管理费用**

	2012 RMB
<b>Administration expenses 管理费用</b>	
Salary and welfare expenses 职工工资及福利	4,190,984
Rent 租赁费用	863,810
Depreciation 折旧	891,934
Staff travelling and commuting expenses 差旅及交通费用	980,035
Office expenses 办公费用	2,025,701
Business hospitality expenses 业务招待费	2,188,618
Professional consulting expenses 咨询费用	87,635
Other expenses 其他管理费用	1,933,054
<b>Total administration expenses 管理费用合计</b>	<b>13,161,771</b>

**Ding Sheng Xin Financing Guarantee Co., Ltd**  
**Notes to Financial Statements**  
**For the year ended 31 December 2012**

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**6. Finance Costs 财务费用**

	2012 RMB
<b>Finance costs 财务费用</b>	
Finance Expense – Bank Charge 银行手续费	49,214
<b>Total finance costs 财务费用合计</b>	<b>49,214</b>

**7. Income Tax Expense 所得税**

	2012 RMB
<b>The components of tax expense comprise:</b>	
<b>所得税组成</b>	
Current tax 今年所得税	2,435,308
<b>Total Income Tax Expense 所得税合计</b>	<b>2,435,308</b>
<b>Reconciliation of tax expense</b>	
Profit before income tax	40,564,871
Prima facie tax payable on profit before income tax at China tax rate of 15%	6,084,731
Under/(over)-provision for income tax in prior year	13,842
Effect of permanent difference for deductible provision	(2,548,470)
Net Effect of other non-deductible expense and non-assessable income	(1,114,795)
<b>Total Income Tax Expense 所得税合计</b>	<b>2,435,308</b>

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**

	2012 RMB
<b>Current 短期</b>	
Cash on hand 现金	472,755
Cash at bank 银行存款	149,682,508
<b>Total current cash and cash equivalent 流动货币资金合计</b>	<b>150,155,263</b>

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

	<b>Note</b>	<b>2012 RMB</b>
<b>Current 短期</b>		
Guarantee Fee Receivable 应收担保费	9(i)	2,386,580
Subrogation Receivables 应收代偿款	9(ii)	8,325,654
Less: allowance for doubtful debts 坏账准备	9(a)(i)	(416,283)
		10,295,951
Other receivables 其他应收款	9(iv)	2,031,858
Guarantee Fee Contract Receivable 应收担保费-合同相关	9(iii)	22,936,968
<b>Total current trade and other receivables 短期应收及其他应收款合计</b>		<b>35,264,777</b>
<b>Non-current 长期</b>		
Other receivables 其他应收款	9(iv)	2,084,349
Guarantee Fee Contract Receivable 应收担保费-合同相关	9(iii)	9,809,959
<b>Total non-current trade and other receivables 长期应收及其他应收款合计</b>		<b>11,894,308</b>

(i) Guarantee fee receivables 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 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(l)).

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

	<b>Note</b>	<b>2012 RMB</b>
<b>Balance at 1 January</b>		<b>265,600</b>
Impairment incurred for the year	4	150,683
Write off incurred for the year		-
<b>Balance at 31 December</b>		<b>416,283</b>

**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:

	<b>2012 RMB</b>
Neither past due nor impaired	34,224,780
Less than 3 months past due	697,552
More than 3 months but less than 12 months past due	5,015,927
More than 12 months	3,104,619
<b>Total</b>	<b>43,042,878</b>

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**

	<b>2012 RMB</b>
<b>Current 短期</b>	
Prepayment 预付款	209,167
<b>Total other current assets 其他流动资产合计</b>	<b>209,167</b>

**11. Pledged bank deposits 抵押银行保证金**

	<b>2012 RMB</b>
Current Pledged Bank Deposits 短期抵押银行保证金	180,108,187
Non-current Pledged Bank Deposits 长期抵押银行保证金	38,438,000
<b>Total pledged bank deposits 抵押银行保证金</b>	<b>218,546,187</b>

**12. Property, Plant and Equipment 固定资产**

	2012 RMB
<b>Furniture and Fittings 家具设备</b>	
At cost 购入价值	313,887
Accumulated depreciation 累计折旧	(99,859)
<b>Total Furniture and Fittings 家具设备合计</b>	<b>214,028</b>
<b>Office Equipment 办公设备</b>	
At cost 购入价值	1,180,726
Accumulated depreciation 累计折旧	(473,805)
<b>Total Office Equipment 办公设备合计</b>	<b>706,921</b>
<b>Motor Vehicles 交通工具</b>	
At cost 购入价值	4,113,522
Accumulated depreciation 累计折旧	(643,725)
<b>Total Motor Vehicles 交通工具合计</b>	<b>3,469,797</b>
<b>Total property, plant and equipment 固定资产合计</b>	<b>4,390,746</b>

**(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 俱设备 RMB	Office Equipment 办公设备 RMB	Motor Vehicles 交通工具 RMB	Total 总计 RMB
<b>Balance at 1 January 2012 2012 年 1 月 1 日账面价值</b>	<b>163,525</b>	<b>402,409</b>	<b>1,024,013</b>	<b>1,589,947</b>
Addition 购入	107,096	567,628	3,184,326	3,859,050
Disposal 售出	-	-	(166,317)	(166,317)
Depreciation expense 折旧费用	(56,593)	(263,116)	(572,225)	(891,934)
<b>Balance at 31 December 2012 2012 年 12 月 31 日账面价值</b>	<b>214,028</b>	<b>706,921</b>	<b>3,469,797</b>	<b>4,390,746</b>



**13. Intangible Assets 无形资产**

	2012
	RMB
Computer Software 电脑软件	68,000
Accumulated amortisation 累计摊销	(4,381)
<b>Total Intangible Assets 无形资产合计</b>	<b>63,619</b>

**14. Liabilities from guarantees 担保负债**

	Note	2012
		RMB
<b>Current Liabilities 短期负债</b>		
Deferred income 递延收入		24,416,876
Provision for guarantee losses 担保损失准备金	14(a)	1,597,717
<b>Total current liabilities from guarantees 短期担保负债合计</b>		<b>26,014,593</b>
<b>Non-current liabilities 长期负债</b>		
Deferred income 递延收入		7,709,962
<b>Total non-current liabilities from guarantees 长期担保负债合计</b>		<b>7,709,962</b>

Provision for guarantee losses 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**

	Note	总计 RMB
<b>Balance at 1 January 2012</b>		<b>613,351</b>
<b>2012 年 1 月 1 日账面价值</b>		
Charge/(written back) for the year 本年新增	4	984,366
<b>Balance at 31 December 2012</b>		<b>1,597,717</b>
<b>2012 年 12 月 31 日账面价值</b>		

**Ding Sheng Xin Financing Guarantee Co., Ltd**  
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**15. Other Current Liabilities 其他流动负债**

	<b>2012 RMB</b>
<b>Current 短期</b>	
Wages and Salaries Payables 应付工资	1,528,440
Other payables 其他应付	6,994,425
<b>Total other current liabilities 其他流动负债合计</b>	<b>8,522,865</b>
<b>Non-current 长期</b>	
Other payables 其他应付	640,000
<b>Total other non-current liabilities 其他非流动负债合计</b>	<b>640,000</b>

**16. Taxation 所得税**

	<b>2012 RMB</b>
<b>Current 短期</b>	
Income tax asset – prepaid company income tax 所得税资产	893,958
<b>Total tax asset 所得税资产</b>	<b>893,958</b>

**17. Share Capital 实收资本**

	<b>2012 RMB</b>
Share capital 实收资本	300,000,000
<b>Total Issued Capital 实收资本合计</b>	<b>300,000,000</b>

The Company's share capital represents historical capital injection by Mr Zhen Hua Guo (executive chairman/CEO) and Mr Sai Fei Cui. There are no shares currently issued. Mr Zhen Hua Guo holds an interest in the entity equal to 67% and Mr Sai Fei Cui holds an interest in the entity equal to 33% based on their respective capital injections and representing their voting rights. Mr Guo and Mr Cui are entitled to return of capital on wind up of the entity in the same proportion as voting rights.

#### 18. 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.

There were no changes in the Company's approach to capital management from prior years.

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 2012, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of the entity are as follows:

		2012
	Note	RMB'000
Outstanding guarantees	23(a)	1,636,160
Net assets of the entity		378,530
Registered/paid-in capital of the entity		300,000
Multiples of		
- net assets		4.32
Paid in capital		5.45

#### 19. Statutory Reserves 法定公积

	2012 RMB
Statutory reserve 法定公积	1,957,284
Total Reserves 公积合计	<b>1,957,284</b>

##### *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 50% of the registered capital.

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**20. Commitments 承诺事项**

**(a) Capital Commitments**

The Company does not have any capital commitments as at 31 December 2012.

**(b) Operating Commitments**

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

	2012 RMB
<b>Payable — minimum lease payments 应付- 最低租金费用</b>	
not later than 12 months 12 个月之内	969,238
between 12 months and five years 12 个月至 5 年间	2,635,707
greater than five years 5 年以后	-
<b>Total operating commitments 经营租赁合计</b>	<b>3,604,945</b>

**21. 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.

**22. 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 Weng Feng Tang	COO
Mr Sai Fei Cui	Shareholder

**b) Amounts payable to related parties**

	2012 RMB
<b>Other receivables</b>	
(i) Loans to shareholders:	
Beginning of the year	-
Loan advanced	800,000
Loan repayment received	(800,000)
End of the year	-

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

**23. 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.

**(a) Credit risk**

Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default on their guaranteed loan, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees issued by the Company. The Company has entered into financial guarantee contracts in which it has guaranteed the banks the repayment of loans entered into by customers of the Company. The Company has the obligation to compensate banks for the losses they would suffer if customers fail to repay. The Company's risk management committee under the leadership of the executive director 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 director, 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) Reviewing the creditworthiness of customers before submitting to the executive director for final approval.

The Company has taken measures to identify credit risks arising from financial guarantees issued. The Company manages credit risk at every stage along the financial 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. Financial guarantees issuance is subject to approval of the Company's risk management committee and the executive Director.

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.

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.

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

#### (a) Credit risk (con't)

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, etc. As at 31 December 2012, the carrying value of outstanding guarantees of RMB1, 636,155,482 is fully or partially covered by collateral.

The total maximum guarantees issued at 31 December 2012 are as follows:

	<b>2012 RMB</b>
Financial guarantee	1, 636,155,482
<b>Total</b>	<b>1, 636,155,482</b>

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

#### *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.

The Company has significant level of concentration of exposure to manufacturing and processing industry in respect of total maximum guarantees issued. The credit risk in respect of these guarantees as at 31 December is as follows:

	<b>2012</b>	
	<b>RMB'000</b>	<b>%</b>
Manufacturing and processing	506,000	31
Wholesales and retailing	468,570	28
Construction and installation	3,600	0
Financial services	62,000	4
Tourism and service sector	107,500	7
Real Estate	17,770	1
Transportation	12,000	1
Others	458,720	28
<b>Total</b>	<b>1,636,160</b>	<b>100</b>

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

### **(a) Credit risk (con't)**

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.

### **(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 and 15.

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

### **(d) 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 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(e).

### **(e) 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.

#### *(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 19%.

## **24. Key Management Personnel Compensation**

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

	<b>2012</b>
	<b>RMB</b>
Short-term employee benefits	197,000
<b>Total KMP compensation</b>	<b>197,000</b>

## **25. 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

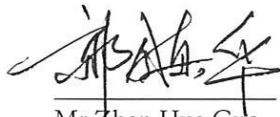


## Director's Declaration 董事申明

The director of the Company declares that:

1. The financial statements and notes, as set out on pages 5 to 30 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 2012 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 the 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 2012, 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) with the exception of providing 2011 comparative figures in the 2012 financial statements.

### **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.

**Basis for Qualified Auditor's Opinion**

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

**Qualified Auditor's Opinion**

In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, 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 2012 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**