

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Name of entity

Ding Sheng Xin Finance Co Limited

ABN or equivalent reference

64 603 612 479

Reporting period

Financial year ended 31 December 2015

Previous corresponding period

Financial year ended 31 December 2014

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for the year ended 31 December 2015

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | |
|---------------------------------------------------------|---------|----------|-------|--------|
| Revenue from continuing operations | up/down | 37.53 % | to \$ | 19,923 |
| Profit (loss) for the period attributable to owners | up/down | (7.85) % | to \$ | 10,915 |
| Net profit (loss) for the period attributable to owners | up/down | (7.85) % | to \$ | 10,915 |

Dividends per Share

The Company has not proposed a dividend.

2. COMMENTARY ON RESULTS

The Group's operating performance has been maintained during the 2015 financial year despite the slowdown of economic growth in China. Through consistent execution of strict management and innovative business models, the Group managed to achieve a similar level of net profit compared with last year under the overall downturn of the economy. The DXF Group realised an after tax profit of \$AUD 10.9 million for the 2015 financial year which represents a decreased of 7.8% on the previous year. As a result of the depreciation of the Australian dollar, the Group showed a foreign exchange gain on translation of its foreign operations of \$AUD 9.8 million. The Group's cash and cash equivalent reserve remain strong at \$AUD 90.2 million

The net assets of the Group has increased by \$AUD22.2 million from \$AUD133.5million at 31 December 2015 to \$AUD 155.7 million at 31 December 2014. The increase as largely resulted from the following factors:

- \$AUD 10.9 million Profit after tax attributable to members
- \$AUD 9.8million increase in foreign exchange gain reserve

During the year ended 31 December 2015, the Group has accelerated its pace of national expansion in China. The Group's operations have opened 3 new operating branches in mainland China with 15 branches in operation as at year end 2015 compared to 12 branches in 2014. Due to the generally tightened domestic economy, the Group is focusing on the development of non-financial guarantee services, exploration of new business streams and channels, and increasing the coverage of business nationwide by opening new branches. By doing this, the Group was able to make up for reducing income from financial guarantee service and laid a solid foundation for business development in the future.

Accounting Policies, Estimation Methods and Measurement Bases

Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual financial statements and the last half-year financial statements.

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3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Current Period A\$'000 | Previous corresponding period A\$'000 |
|----------------------------------------------------------------------------|---------------------------|---------------------------------------------|
| Revenue from continuing operations - <i>refer 3.1 below</i> | 19,923 | 14,486 |
| Other income - <i>refer 3.2 below</i> | 2,360 | 5,307 |
| Expenses - <i>refer 3.3 below</i> | (8,943) | (6,445) |
| Finance costs | (16) | (12) |
| Profit(Loss) before income tax | 13,324 | 13,336 |
| Income tax expense | (2,409) | (1,491) |
| Profit(Loss) for the year attributable to Owners | 10,915 | 11,845 |
| Other comprehensive income | | |
| Items that will be reclassified to profit or loss: | | |
| Foreign currency translation differences | 9,829 | 8,433 |
| Other comprehensive income for the year, net of tax | 9,829 | 8,433 |
| Total comprehensive income for the year, net of tax attributable to Owners | 20,744 | 20,278 |
| Basic and Diluted Earnings Per Share | 2.2 cents | N/A |

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.1 Revenue from continuing operations

| | A\$'000 | corresponding period |
|--------------------------------|---------|----------------------|
| Financial guarantee fee income | 10,842 | 11,413 |
| Premium fee income | 8,239 | 2,304 |
| Agency fee income | 842 | 769 |
| | 19,923 | 14,486 |

3.2 Other income

| | A\$'000 | corresponding period |
|--------------------------------------------|---------|----------------------|
| Government grants | - | 1,258 |
| Interest income | 829 | 715 |
| Interest income - guarantee fee receivable | 1,054 | 2,716 |
| Interest income - premium fee receivable | 401 | 506 |
| Other sundry income | 76 | 112 |
| | 2,360 | 5,307 |

3.3 Expenses

| | A\$'000 | corresponding period |
|-------------------------|---------|----------------------|
| Operating expenses | (2,764) | (2,324) |
| Administrative expenses | (6,179) | (4,121) |
| | (8,943) | (6,445) |

Note: Included in the above expenses disclosed by function are the following expenses:
\$528,066 for year ended 31 December 2014; and

- Employee benefit expenses amounting to \$3,852,519 for the year ended 31 December 2015 and \$3,311,793 for the year ended 31 December 2014.

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4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Current Period A\$'000 | Previous corresponding period A\$'000 |
|--------------------------------------|---------------------------|------------------------------------------------|
| Current Assets | | |
| Cash and cash equivalents | 90,195 | 51,840 |
| Trade and other receivables | 16,221 | 21,399 |
| Other current assets | 59 | 109 |
| Pledged bank deposits | 53,201 | 68,849 |
| Current tax assets | - | 20 |
| Total Current Assets | 159,676 | 142,217 |
| Non-Current Assets | | |
| Trade and other receivables | 2,876 | 4,355 |
| Pledged bank deposits | 7,536 | 10,194 |
| Property, plant and equipment | 1,124 | 1,511 |
| Other non-current assets | 204 | - |
| Intangible assets | 20 | 21 |
| Total Non-Current Assets | 11,760 | 16,081 |
| TOTAL ASSETS | 171,436 | 158,298 |
| Current Liabilities | | |
| Liabilities from guarantees | 6,380 | 8,048 |
| Liabilities from insurance contracts | 2,272 | 2,364 |
| Other current liabilities | 3,569 | 7,895 |
| Current tax liabilities | 558 | - |
| Total Current Liabilities | 12,779 | 18,307 |
| Non-Current Liabilities | | |
| Liabilities from guarantees | 2,119 | 3,283 |
| Liabilities from insurance contracts | 282 | 2,265 |
| Other non-current liabilities | 527 | 931 |
| Total Non-Current Liabilities | 2,928 | 6,479 |
| TOTAL LIABILITIES | 15,707 | 24,786 |
| NET ASSETS | 155,729 | 133,512 |
| Equity | | |
| Contributed Equity | 83,550 | 82,077 |
| Other reserves | 32,891 | 22,516 |
| Retained Earnings | 39,288 | 28,919 |
| TOTAL EQUITY | 155,729 | 133,512 |

5. CONSOLIDATED STATEMENT OF CASH FLOWS

| | Current Period A\$'000 | Previous corresponding period A\$'000 |
|----------------------------------------------------------|---------------------------|------------------------------------------------|
| Cash flows related to operating activities | | |
| Receipts from customers | 23,690 | 23,287 |
| Transfer from/(to) pledged bank deposit | 23,999 | (20,232) |
| Payments to guarantee holders, suppliers and employees | (10,379) | (5,621) |
| Interest received | 829 | 715 |
| Finance costs | (16) | (12) |
| Income tax paid | (1,830) | (1,481) |
| Net operating cash flows | 36,293 | (3,344) |
| Cash flows related to investing activities | | |
| Purchase of property plant and equipment | (243) | (410) |
| Purchase of Intangibles | - | (11) |
| Proceed from sale of non-current assets | 58 | - |
| Net investing cash flows | (185) | (421) |
| Cash flows related to financing activities | | |
| Cash receipts advanced from / (to) non related parties | (2,313) | 4,274 |
| Cash receipts advanced from / (to) related parties | (988) | 614 |
| Share capital issued | 1,473 | - |
| Net financing cash flows | (1,828) | 4,888 |
| Net increase (decrease) in cash held | 34,280 | 1,123 |
| Cash at beginning of period - <i>refer 5.1 below</i> | 51,840 | 47,538 |
| Exchange rate adjustments to cash at beginning of period | 4,075 | 3,179 |
| Cash at end of period - <i>refer 5.1 below</i> | 90,195 | 51,840 |

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

5.1 Reconciliation of Cash

| | Current Period A\$'000 | Previous corresponding period A\$'000 |
|------------------------------------|---------------------------|------------------------------------------------|
| Cash on hand | 49 | 120 |
| Cash at bank | 90,146 | 51,720 |
| Total cash at end of period | 90,195 | 51,840 |

5.2 Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities.

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6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Contributed Equity | Retained earnings | Statutory Reserve | Foreign Currency Translation Reserve | TOTAL EQUITY |
|-------------------------------------------------------------|--------------------|-------------------|-------------------|--------------------------------------|--------------|
| As at 1 January 2014 | 82,077 | 17,681 | 599 | 12,877 | 113,234 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | 11,845 | - | - | 11,845 |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences | - | - | - | 8,433 | 8,433 |
| Total comprehensive income for the year | | 11,845 | - | 8,433 | 20,278 |
| Reserve Transfers | | | | | |
| Allocation of Profit for the year to Statutory Reserve | | (607) | 607 | | - |
| At 1 January 2015 | 82,077 | 28,919 | 1,206 | 21,310 | 133,512 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | | 10,915 | | | 10,915 |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences | | | | 9,829 | 9,829 |
| Total comprehensive income for the year | | 10,915 | - | 9,829 | 20,744 |
| Transactions with owners in their capacity as owners | | | | | |
| Contributions of equity, net of transaction costs | 1,473 | | | | 1,473 |
| Dividends paid | | | | | - |
| Share-buy back excess | | | | | - |
| Share-based payments expense | | | | | - |
| | 1,473 | - | - | - | 1,473 |
| Reserve Transfers | | | | | |
| Allocation of Profit for the year to Statutory Reserve | | (546) | 546 | | |
| At 31 December 2015 | 83,550 | 39,288 | 1,752 | 31,139 | 155,729 |

OTHER NOTES TO THE FINANCIAL STATEMENTS

7. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

| Current period | Previous Corresponding period |
|----------------|-------------------------------|
| \$ 0.31 | N/A |

8. OTHER INFORMATION REGARDING THE FINANCIAL STATEMENTS

8.1

The information contained in this Appendix 4E is based on financial statements which:

- have been audited
- are in the process of being audited
- have not yet been audited

9. OTHER SIGNIFICANT INFORMATION

Pursuant to a share sale agreement dated 8 July 2015, Ding ShengXin Finance Co. Limited (the Company) issued 499,999,900 shares to the then existing shareholders of China Ding Sheng Xin Holdings Limited (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 HK DSX. Pursuant to a share sale agreement dated 10 July 2015, WFOE DSX acquired 100% of the registered capital contribution in Ding Sheng Xin Financing Guarantee Co., Ltd (PRC DSX). When combined with transaction above, WFOE DSX and HK DSX became intermediate holding companies for the Group.

Through these transactions, effective control of PRC DSX passed to the shareholders of the Company. This transaction is referred to in AASB 3 *Business Combinations* as a common control acquisition, where following the corporate restructure of the Group, the company took control of PRC DSX with no change in underlying control.

The Group has elected to account for these transactions using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the common control transaction. The treatment also requires the presentation of current year performance as if the Group had been in place for the entire year as well as full year comparative information of all entities.

As a result, earnings per share for the year ended 31 December 2015 has been calculated using the capital of the parent entity and full year net profit of the Group and net tangible assets has been calculated using the net tangible assets of the Group at 31 December 2015 and the capital of the parent entity.

Comparative information for earnings per share and net tangible assets have not been provided. The Group entities in the comparative period operated using contributed capital rather than issuing shares. As a result there is no available denominator.