Jiancheng International Group Limited

2018 CONSOLIDATED ANNUAL FINANCIAL REPORT

For the year ended 31 December 2018

Contents

Directors' Report

The Directors submit their report for the year ended 31 December 2018.

1. DIRECTORS

The names and details of the Jiancheng International Group Limited's "the Company" directors in office during the financial year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Position	Appointment Date	Cessation Date
Mr John Dixon	Non-Executive Director/Chairman	07/09/2015	-
Mr Yonghong Tang	Managing director/General manager	13/04/2015	-
Mr Youxi Sun	Executive Director/Vice General Manager	07/09/2015	-
Mr Yangyu Zhu	Executive Director/Vice General Manager	07/09/2015	-
Ms Bronwyn Barnes	Non-executive Director	07/09/2015	28/02/2018
Mr Hok Siew Lee	Non-executive Director	06/03/2018	11/02/2019
Mr Ben Khoo	Non-executive Director	11/02/2019	-
Mr Min Wu	Alternate Director	17/06/2016	-

2. INFORMATION ON THE DIRECTORS AND COMPANY SECRETARY

Mr John Dixon

Non-Executive Chairman

Mr John Dixon has over 30 years significant experience in the logistics sector, having previously held a number of executive director roles and senior executive positions with leading firms including TNT, Linfox Pty Ltd, Patrick Corporation and Westgate Logistics.

Mr John Dixon was previously Chairman Redstar Transport and Managing Director of Silk Logistics Group. Prior to that, he was Chief Operating Officer and an Executive Director of Skilled Group Ltd.

Mr John Dixon is currently a director of AI Group. Mr Dixon has not held any former public company directorships in the last 3 years.

Mr Yonghong Tang (John)

Managing director/General manager

Mr Yonghong Tang (John) is the founder of JCI Group. Mr Tang began working in the engineering industry in 1995 when he led a team of carpenters at a construction site of Anhui Conch Cement Company (CONCH), the largest cement factory in Asia, and the Saint Gobain pipe plant thereafter. Through hard work, tenacity and creativity, Mr Tang's team has completed various influential projects. He leads a growing team across Asia and Africa, and has a deep understanding of working with PRC engineering conglomerates.

John was recognised as a "Star Entrepreneur" by the local municipality in 2013. He was also awarded Mostly Liked Executive by the local business chamber in 2014.

Mr Tang has not held any former public company directorships in the last 3 years.

Mr Youxi Sun

Executive Director/Vice General Manager

Mr Youxi Sun serves as Vice General Manager and has oversight responsibility for project site management and cost control, as well as major contract negotiations.

Mr Sun joined JCI Group in 2008 as a Project Manager in Africa, then progressed to Vice General Manager in 2010. Before joining JCI Group, Mr Sun was Chief Surveyor and head of Contract Assessing Division of a state-owned engineering company.

Mr Sun graduated from Civil Engineering Department of Anhui Broadcasting & Television University in 1987.

Mr Sun has not held any former public company directorships in the last 3 years.

Mr Yangyu Zhu (Brian)

Executive Director/Vice General Manager

Mr Yangyu Zhu (Brian) is responsible for managing JCI's relationships with non-PRC parties and investors.

Before joining JCI Group in 2014, Mr Zhu obtained broad experience working as an accountant for a local engineering company, foreign affairs secretary for Ma'anshan City, and also for an Indian mechanical company, an American chemical company, an Iranian automobile company and a South African biomass energy company.

Mr Zhu graduated from Xi'An University of Finance & Economics in 1995 and has also passed the Canadian Certified General Accountant exams.

Mr Zhu has not held any former public company directorships in the last 3 years.

Ms Bronwyn Barnes

Non-executive director, resigned on 28 February 2018

Ms Bronwyn Barnes has extensive experience in strategic planning and project development having worked for a number of international and Australian private and public companies. With over 16 years' experience in the resources sector, Ms Barnes has held director, leadership and operational roles with companies ranging from BHP Billiton to emerging juniors. Ms Barnes is an experienced Board member having served in both executive and non-executive capacities in the resources, fishing, indigenous, education and community sectors.

Ms Barnes is currently the Non-Executive Chair of RNI NL and is a member of the Advisory Council for Curtin University School of Business.

Ms Barnes has held the following public company directorships in the last 3 years:

- Windward Resource Ltd - January 2014 to October 2016
- RNI NL - 2016 to present

Mr Hok Siew Lee

Non-executive director, appointed on 06 March 2018, resigned on 11 February 2019

Mr Hok Lee has over 20 years international executive and board experience in Ericsson who rose to the position of Vice President, Consulting and System Integration Asia Pacific. Mr Lee is an outstanding businessman with extensive experience in Indonesia, Singapore, Malaysia, Hong Kong and China.

Mr Lee was recently a Managing Director of Belvedere Winery. Mr Lee has not held any former public company directorships in the last 3 years.

Mr Ben Khoo

Non-executive director, appointed on 11 February 2019

Mr. Khoo has more than 30 years' experience in senior management and finance roles in the industrial sector across Australia, China, Indonesia, and Malaysia.

Mr. Khoo was previously the Financial Director of Fenner Dunlop Australia where he was responsible for all aspects of finance, including fund-raising and acquisitions. He also served as Managing Director of Fenner Shanghai where he led more than 220 staff members.

Mr. Khoo has been an associated Chartered Accountant since 1979 and has been a member of the Australian Institute of Management since 2003. He holds a Bachelor of Commerce and Administration from Victoria University of Wellington in New Zealand.

Mr Min Wu

Alternate Director, appointed on 17 June 2016

Mr Wu graduated with a Masters of Public Administration from the University of Science and Technology of China in 2009. He has more than 10 years working experience in investment management and service trade regulation for city government. Mr Wu also has broad experience in management, investment and financing and project negotiation. Mr Wu has not held any former public company directors in the last 3 years.

Ms Marika White

Company Secretary appointed on 01 January 2018

Ms Marika White is Executive Director of Emerson Corporate Legal Operations (formerly Managing Director, The Company Secretary Pty Ltd) and provides tailored company secretarial and compliance services to a range of public, private and not-for-profit organisations in Australia and internationally.

Marika has extensive company secretarial experience, both in Australia and overseas, and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia. Ms White has not held any former public company directorships in the last three years.

3. OPERATING AND FINANCIAL REVIEW

Nature of Operations and principal activities

The principal activities during the year of the entities within the Jiancheng International Group Limited "the Group" were the provision of a "one-stop" subcontracted workforce for the PRC construction industry underpinned by specialised training in various skillsets.

Results of Operations

The net profit after income tax of the Group for the year was $7,194,055 (2017: $7,107,573).

Review of Operations

During the year ended 31 December 2018, the Group continued its main business activity of the provision of a "one-stop" workforce subcontracting solution underpinned by specialised training in various skillsets for construction industry.

Summarised Operating Results

The Group is pleased to report that growth has been maintained throughout the business, achieving revenue for the 2018 financial year of $96,582,478, a 25% gain compared with 2017. The growth combined with strict cost management has resulted in strong financial performance during the 2018 financial year despite the slowdown of economic growth in China. The Group realised an after-tax profit of $7,194,055 for the 2018 financial year which represents a increase of 1% on the previous year (2017: $7,107,573). As a result of depreciation of Australian dollar, the Group showed a foreign exchange gain on translation of its foreign operation of $2,166,484.

The net assets of the Group have increased by $11,360,527 from $45,516,605 as at 31 December 2017 to $56,877,132 as at 31 December 2018.

The cash balance as at 31 December 2018 increased to $4,347,713 from $4,210,108 as at 31 December 2017. Receipts from customers as at 31 December 2018 increased to $81,975,804 from $71,780,703 as at 31 December 2017. The reasons are noted below:

- Since listing on the ASX in March 2016, the Group has undertaken a greater number of projects per annum, which are also larger in scale, resulting in significant increase in business volume.
- Timely collection of milestone payments from ongoing projects has been a focus and shown improvement.
- The Group has taken effective measures to collect remaining receivables from other completed projects.

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the Group's state of affairs occurred during the financial year

5. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to relevant local environmental laws within the jurisdictions that it operates. The Directors have complied with these laws and are not aware of any breaches of the legislation during the financial year which are material in nature.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report and Review of Activities.

7. DIVIDENDS

No dividend has been paid or recommended during the financial year.

8. SHARE OPTIONS

There are no unissued ordinary shares of Jiancheng International Group Limited under option at the date of this report.

9. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The security of the Group was suspended from official quotation in accordance with listing rule 17.5 on 1 April 2019 following the failure to lodge the relevant period report by the due date.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid premiums insuring the directors and officers of Jiancheng International Group Limited. The Company has agreements in place to indemnify each Director against any and all liabilities incurred by the Director as an officer of Jiancheng International Group Limited to the extent as permitted by section 199A of the *Corporations Act 2001*.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums of $56,234 in respect of the directors' and officers' liability and legal expenses' insurance contracts.

11. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Pitcher Partners, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Pitcher Partners during or since the financial year.

12. REMUNERATION REPORT (AUDITED)

The compensation arrangements in place for key management personnel of the Company are set out below:

Details of key management personnel

Directors

J Dixon	Chairman (non-executive), appointed 7 September 2015
Y Tang	Managing Director and General Manager, appointed 13 April 2015
Y Sun	Executive Director and Vice General Manager, appointed 7 September 2015
Y Zhu	Executive Director and Vice General Manager, appointed 7 September 2015
B Barnes	Non-Executive Director, appointed 7 September 2015, resigned 28 February 2018.
H Lee	Non-Executive Director, appointed 6 March 2018, resigned 11 February 2019
B Khoo	Non-Executive Director, appointed 11 February 2019
M Wu	Alternate Director, appointed 17 June 2016

Other key management personnel

R Shen	Vice General Manager -PRC
Y Yu	Chief Financial Officer -PRC

Compensation Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principle in its compensation framework:

- Provide competitive rewards to attract high-calibre executives.

Group Performance

The Group's financial performance for the last four years has been as follows:

	December 2018 $	December 2017 $	December 2016 $	December 2015 $
Revenue	96,582,478	77,363,824	68,705,448	55,521,615
Net profit after tax	7,194,055	7,107,573	9,202,545	7,042,422
Basic earnings per share	0.11	0.12	0.16	0.14
Diluted earnings per share	0.11	0.12	0.16	N/A
Net assets	56,877,132	45,516,605	36,619,454	23,743,721

Remuneration Committee

Due to the size of the Group, remuneration is considered by the full Board. The Board reviews remuneration packages and policies applicable to the directors and senior executives. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives.

Compensation Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Objective of Non-Executive Director Compensation

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure of Non-Executive Director Compensation

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of $140,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to shareholders in the notice convening the meeting.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Objective of Senior Management and Executive Director Compensation

The Company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company and so as to:

- reward executives for the Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

Structure of Senior Management and Executive Director Compensation

In determining the level and make-up of executive compensation, the Board may engage external consultants to provide independent advice. No external advice was obtained during the 2018 financial year.

It is the Board’s policy that an employment contract is entered into with key executives.

Compensation consists of a fixed compensation element from time to time.

Fixed Compensation

Fixed compensation is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices. No external advice was obtained during the 2018 financial year.

Structure

Senior managers are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Employment Contracts

The Managing Director and General Manager, **Mr Yonghong Tang**, is employed under contract that commenced on 13 August 2015. The term of the engagement is five years unless otherwise terminated in accordance with the contract. The significant terms of the contract are:

- Mr Tang receives remuneration of $72,424 (RMB357,999) per annum, there is no statutory superannuation paid as Mr Tang is not an resident of Australia.
- Either party may terminate the agreement without cause by providing the other party no less than 6 months' notice in writing; and
- The Company may terminate the agreement by summary notice to the Managing Director and General Manager with cause in circumstances considered standard for agreements of this nature.

The Chief Financial Officer, **Mr Yonghui Yu**, is employed under contract that commenced on 13 August 2015 and will continue until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Yu receives remuneration of $73,577 (RMB363,700) per annum, there is no statutory superannuation as Mr Yu is not a resident of Australia.
- Either party may terminate the agreement without cause by providing the other party no less than 6 months' notice in writing; and
- The Company may terminate the agreement by summary notice to the Chief Financial Officer with cause in circumstances considered standard for agreements of this nature.

Compensation of Key Management Personnel for Year Ended 31 December 2018

Name	Year	Short term Salary and Fees[1] $	Post-Employment Super-annuation $	Equity-settled Share based payments $	Total $	% relevant to share based payments	% performance related
Directors							
J Dixon	2018	80,000	-	-	80,000	0	0
	2017	78,265	1,735	-	80,000	0	0
Y Tang	2018	72,424	-	-	72,424	0	0
	2017	67,960	-	-	67,960	0	0
Y Sun	2018	103,923	-	-	103,923	0	0
	2017	42,745	-	-	42,745	0	0
Y Zhu	2018	63,462	-	-	63,462	0	0
	2017	59,862	-	-	59,862	0	0
B Barnes	2018	10,000	-	-	10,000	0	0
	2017	60,000	-	-	60,000	0	0
L Qi	2018	-	-	-	-	0	0
	2017	53,272	5,061	-	58,333	0	0
H Lee	2018	49,200	-	-	49,200	0	0
	2017	-	-	-	-	0	0
B Khoo	2018	-	-	-	-	0	0
	2017	-	-	-	-	0	0
M Wu	2018	103,574	-	-	103,574	0	0
	2017	46,321	-	-	46,321	0	0
Other key management personnel							
R Shen	2018	85,716	-	-	85,716	0	0
	2017	69,766	-	-	69,766	0	0
Y Yu	2018	73,577	-	-	73,577	0	0
	2017	69,737	-	-	69,737	0	0
L Du	2018	-	-	-	-	0	0
	2017	31,124	-	-	31,124	0	0
Total	**2018**	**641,876**	**-**	**-**	**641,876**	**0**	**0**
	2017	**579,052**	**6,796**	**-**	**585,848**	**0**	**0**

(1) During the financial year, payments for Non-Executive Director services from Mrs Bronwyn Barnes is made to Integra Management Consultants Pty Ltd (director-related entity of Mrs Bronwyn Barnes). Payments for Non-Executive Director services from Mr John Dixon is made to Jermah Pty Ltd (director-related entity of Mr John Dixon) for the period from January to March 2018 and Alford Capital Pty Ltd (director-related entity of Mr John Dixon) for the period from April to December 2018. The current trade payable balance as at 31 December 2018 was $Nil. All transactions were made on normal commercial terms and conditions and at market rates.

Shareholdings of Key Management Personnel(1)

Shares held in Jiancheng International Group Limited (number) during the year ended 31 December 2018.

Name	Balance 1 Jan 18	Granted as remuneration	Other changes	Balance 31 Dec 18
Directors				
J Dixon	205,156	-	288,299	493,455
Y Tang	35,584,757	-	(300,000)	35,284,757
Y Sun	6,102,012	-	(4,800,000)	1,302,012
Y Zhu	2,578,605	-	-	2,578,605
B Barnes	-	-	-	-
H Lee	-	-	-	-
B Khoo	-	-	-	-
M Wu	-	-	-	-
Other key management personnel				
R Shen	-	-	-	-
Y Yu	4,068,008	-	(3,200,000)	868,008
L Du	-	-	-	-
Total	**48,538,538**	**-**	**(8,011,701)**	**40,526,837**

Loans Given to Key Management Personnel

Temporary loans advanced and repaid during the year at nil interest rate per annum.

	2018 $
Beginning of the year	53,037
Loan advanced	(80,921)
Loan repayment received	60,240
Foreign currency translation difference	2,129
End of the year	34,485
The number of KMP with loans outstanding at the end of the period	3

END OF REMUNERATION REPORT

13. 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.

14. DIRECTORS' MEETINGS

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors' Name	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee*	
	A	B	A	B	A	B
J Dixon	7	7	-	-	-	-
Y Tang	7	7	-	-	-	-
Y Sun	7	6	-	-	-	-
Y Zhu	7	5	-	-	-	-
B Barnes	0	0	-	-	-	-
H Lee	7	7	-	-	-	-
B Khoo	0	0	-	-	-	-
M Wu	2	2	-	-	-	-

- **Column A** is the number of meetings the Director was entitled to attend
- **Column B** is the number of meetings the Director attended.

* due to the size of Board and current nature and scale of the Company, the function of the Nomination and Remuneration Committee is conducted collectively by the board.

15. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company in accordance with the *Corporations Act 2001*, at the date of signing this report is as follows:

Name	Ordinary shares	Options over ordinary shares
J Dixon	493,455	-
Y Tang	35,284,757	-
Y Sun	1,302,012	-
Y Zhu	2,578,605	-
B Barnes	-	-
H Lee	-	-
B Khoo	-	-
M Wu	-	-

16. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Non-audit services

Pitcher Partners did not provide any non-audit services during the financial year ended 31 December 2018.

We have received the Declaration of Auditor Independence from Pitcher Partners SA Pty Ltd, the Company's Auditor. This is available for review on page 13 and forms part of this report.

17. ROUNDING OF AMOUNTS TO NEAREST DOLLAR

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar.

SIGNED in accordance with a Resolution of the Directors on behalf of the Board

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Yonghong Tang
Managing Director and General Manager

Dated this 3rd of July 2019

Auditor's Independence Declaration

To the Directors of Jiancheng International Group Limited

In relation to the independent auditor's review for the financial year ended 31 December 2018, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

ii) no contraventions of APES 110 Code of Ethics for Professional Accountants.

This declaration is in respect of Jiancheng International Group Limited and the entities it controlled during the period.

Pitcher Partners

Jim Gouskos
Audit Principal

Dated this 3rd of July 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Revenue	2	96,582,478	77,363,824
Cost of sales		(81,322,668)	(64,520,179)
Gross profit		15,259,810	12,843,645
Other income	2	145,217	249,791
Administration expenses	3	(4,664,746)	(2,502,688)
Finance costs	4	(615,065)	(734,008)
Profit before income tax		10,125,216	9,856,740
Income tax expense	5	(2,931,161)	(2,749,167)
Profit for the year		**7,194,055**	**7,107,573**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss)		2,166,484	(318,944)
Total comprehensive income for the year		**9,360,539**	**6,788,629**
Total comprehensive income attributable to:			
Members of the parent entity (the Company)		8,833,077	6,270,034
Ma'anshan Jiancheng Occupational Training School	27(b)	527,462	518,595
Total comprehensive income for the year		**9,360,539**	**6,788,629**
		cents	**cents**
Earnings per share for profit attributable to the owners of Jiancheng International Group Limited			
Basic earnings per share		11	12
Diluted earnings per share		11	12

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Current assets			
Cash and cash equivalents	8	4,347,713	4,210,108
Trade and other receivables	9	31,130,510	58,383,375
Contract assets	10	31,391,158	-
Inventory	11	5,609	60,413
Other current assets	12	101,842	45,609
Total current assets		66,976,832	62,699,505
Non-current assets			
Trade and other receivables	9	14,389,484	1,031,364
Property, plant and equipment	13	9,601,708	10,363,339
Intangible assets - Land use rights	14	726,252	368,199
Deferred tax assets	15	379,540	362,415
Total non-current assets		25,096,984	12,125,317
Total assets		92,073,816	74,824,822
Current liabilities			
Trade and other payables	16	25,133,170	20,726,542
Short-term borrowings	17	7,209,360	5,900,633
Current tax liabilities	18	2,854,154	2,681,042
Total current liabilities		35,196,684	29,308,217
Total liabilities		35,196,684	29,308,217
Net assets		**56,877,132**	**45,516,605**
Equity			
Issued capital	19	15,479,585	13,479,597
Reserves	20	8,746,526	6,052,580
Retained earnings		32,651,021	25,984,428
Total equity		**56,877,132**	**45,516,605**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Share Capital $	Retained Earnings $	Foreign Currency Translation Reserve $	Statutory Reserve $	Training School Profits Reserve $	Consolidated Total $
Balance at 1 January 2017		**9,991,585**	**21,168,518**	**1,710,958**	**2,530,805**	**1,217,588**	**36,619,454**
Profit for the year		-	7,107,573	-	-	-	**7,107,573**
Other comprehensive income		-		(318,944)	-	-	**(318,944)**
Total Comprehensive income for the year		**-**	**7,107,573**	**(318,944)**	-	-	**6,788,629**
Additional shares issued during the year	19	2,500,000	-	-	-	-	**2,500,000**
Cost of shares issued capitalised	19	(150,000)	-	-	-	-	**(150,000)**
Dividend declared	19	1,138,012	(1,379,490)	-	-	-	**(241,478)**
Transferred to Statutory Reserve		-	(393,578)	-	393,578	-	**-**
Transferred to Training School Profits Reserve		-	(518,595)	-	-	518,595	**-**
Balance at 31 December 2017		**13,479,597**	**25,984,428**	**1,392,014**	**2,924,383**	**1,736,183**	**45,516,605**
Profit for the year		-	7,194,055	-	-	-	**7,194,055**
Other comprehensive income		-	-	2,166,484	-	-	**2,166,484**
Total Comprehensive income for the year		**-**	**7,194,055**	**2,166,484**	**-**	**-**	**9,360,539**
Private placement during the year	19	1,999,988	-	-	-	-	**1,999,988**
Transferred to Training School Profits Reserve		-	(527,462)	-	-	527,462	**-**
Balance at 31 December 2018		**15,479,585**	**32,651,021**	**3,558,498**	**2,924,383**	**2,263,645**	**56,877,132**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Cash flows from operating activities			
Receipts from customers		81,975,804	71,780,703
Payments to suppliers, employees and others		(83,520,005)	(65,525,338)
Interest received		1,957	1,651
Finance costs		(555,723)	(734,008)
Income tax paid		(2,884,735)	(3,172,324)
Net cash (used in) provided by operating activities		(4,982,702)	2,350,684
Cash flows from investing activities			
Purchase of property, plant and equipment		(212,588)	(51,007)
Purchase of land use rights		(347,151)	-
Proceeds from sale of property plant and equipment		123,809	-
Net cash used in investing activities		(435,930)	(51,007)
Cash flows from financing activities			
Proceeds from borrowings		7,080,595	5,790,087
Repayment of borrowings		(6,069,081)	(7,265,245)
Cash receipts (Advanced) from (to) related parties	25(c(&(d)	20,681	(77,201)
Cash receipts (Advanced) from (to) non related parties		2,059,816	-
Proceeds from additional shares issued		-	2,500,000
Cost of additional shares issued		-	(150,000)
Proceeds from private placement		1,999,988	-
Dividend paid		-	(241,478)
Net cash provided by financing activities		5,091,999	556,163
Net change in cash and cash equivalents held		(326,633)	2,855,840
Effect of exchange rates on cash holdings in foreign currencies		464,238	(133,598)
Cash and cash equivalents at beginning of financial year		4,210,108	1,487,866
Cash and cash equivalents at end of financial year	8	4,347,713	4,210,108

1 Statement of significant accounting policies

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Jiancheng International Group Limited was incorporated on 13 April 2015.

The consolidated financial statements for Jiancheng International Group Limited "the Group" were authorised for issue by the Directors on 3rd of July 2019.

Basis of preparation

The consolidated financial statements have been prepared on an accrual and going concern 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 Australian Dollar ($) which is the Group's presentational currency, unless otherwise noted.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period as follow:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*

Impacts and changes in accounting policies on application of AASB 9 and related amendments

(a) Key changes in accounting policies resulting from application of AASB 9

AASB 9 replaces the provisions of AASB 139 that relate to the classification and measurement of financial assets and financial liabilities, general hedge accounting and expected credit losses for financial assets. The Group has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification, measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As such, certain comparative information may not be comparable as comparative information was prepared under AASB 139 Financial Instruments: Recognition and Measurement.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under AASB 9 (including trade debtors, other receivables, contract assets, bank balances, deposits and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

At 1 January 2018, certain trade debtors and contract assets are determined as low credit risk at the date of initial application since the counterparties are mainly government bodies and reputable retailers, and a good history of repayment. The Directors of the Company also reviewed and assessed the Group's remaining trade debtors and contract assets, and other financial assets for impairment using reasonable and supportable information that is available without undue cost and effort. As a result, no additional loss allowance for financial assets was recognised on transition of AASB 9 when applying the expected credit risk model.

(i) Classification and measurement

Trade debtors arising from contracts with customers are initially measured in accordance with AASB 15. All recognised financial assets that are within the scope of AASB 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value through other comprehensive income ("FVTOCI").

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(ii) Impairment under ECL model

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group considers that default has occurred when the instrument is more than 1 year past due. However, in certain cases, the Group may also consider the instrument to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors and other receivables, contract assets where the corresponding adjustment is recognised through a loss allowance account.

Impacts and changes in accounting policies on application of AASB 15

AASB 15 supersedes AASB 111 "Construction Contracts", AASB 118 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group has elected to adopt AASB 15 using the modified retrospective method and applied only to contracts that were not completed at the date of initial application. Any difference of the change in accounting policy was reflected at the date of initial application, 1 January 2018. Hence, the comparative information was presented based on the requirements of AASB 111, AASB 118 and related interpretations. The application of this standard has had no material impact on the timing and amounts of revenue recognised in the current or prior accounting periods.

(a) Key changes in accounting policies resulting from application of AASB 15

AASB 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under AASB 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The principles in AASB 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group unconditional right to consideration.

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

(b) *Summary of effects arising from initial application of AASB 15*

Revenue of the Group represents the contract revenue arising on labour outsourcing contracts for the period.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 $	Reclassification $	Carrying amounts under AASB 15 at 1 January 2018 $
Current assets				
Contract assets	(i)	-	31,773,575	31,773,575
Trade and other receivables	(i)	58,383,375	(31,773,575)	26,609,800

Note:

(i) In relation to labour outsourcing contracts previously accounted under AASB 111, the Group estimates the performance obligations satisfied up to date of initial application of AASB 15. Contracted project costs of $ 24,692,214 and retention receivable of $ 7,081,361 were reclassified to contract assets.

The following table summarise the impacts of applying AASB 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported $	Adjustments $	Amounts without application of AASB 15 $
Current assets			
Contract assets	31,391,158	(31,391,158)	-
Trade and other receivables	31,329,548	31,391,158	62,720,706

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Significant accounting policies

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

a. Principle of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Jiancheng International Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving businesses under common control. Business combinations other than those involving businesses under common control are accounted for from the date that control is attained, whereby the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised at their acquisition-date fair values (except in a limited number of circumstances as identified in AASB 3: *Business Combinations*).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. 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.

c. Property, Plant and Equipment

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office equipment	20%
Buildings	5%
Plant and equipment	10%
Motor vehicles	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

d. Intangible assets – Land use right

Land use right has a finite useful life and is carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of land use rights over its estimated useful lives, which is 50 years.

e. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of fixed overheads. Costs are assigned on the basis of weighted average costs.

f. Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, the Group classifies its trade and other receivables as financial assets at amortised cost upon initial recognition.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

Classifications are determined by both:
- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, contract assets, trade and most other receivables fall into this category of financial instruments.

Impairment of Financial assets

AASB9's impairment requirements use more forward-looking information to recognise expected credit loss – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Refer to Note 26 (b) for details of credit risk analysis of the Group.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at mortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Accounting policy applicable to comparative period (31 December 2017)

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Financial instruments are classified and subsequently measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When the effect of discounting is material, loans and receivables are carried at amortised cost using the effective interest rate method.

Financial liabilities
When the effect of discounting is material, non-derivative financial liabilities (excluding financial guarantees) are carried at amortised cost using the effective interest rate method.

Impairment of financial assets
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group. Impairment losses are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g. Impairment of Non-Financial Assets
At each reporting date, the Group reviews the carrying values 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 value. 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 value over its recoverable amount is expensed to the statement of comprehensive income.

h. Employee Benefits
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.

i. Cash and Cash Equivalents
Cash comprises cash on hand, demand deposits and security deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

j. Revenue
Revenue arises mainly from the provision of a "one-stop" workforce subcontracting solution underpinned by specialised training in various skillsets for construction industry.

To determine whether and when to recognise revenue, the Group follows a 5-steps process:

(i) Identifying the contract with a customer
(ii) Identifying the performance obligations
(iii) Determining the transaction price
(iv) Allocating the transaction price to the performance obligations
(v) Recognising revenue when / as performance obligation (s) are satisfied.

Revenue from provision of services is recognised over time on a cost to cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Those services contracts are entered into before construction of the projects begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the projects to another customer and has an enforceable right to payment for work done. Therefore, the director consider that input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under AASB 15.

The Group becomes entitled to invoice customers for provision of services based on achieving a series of performance-related milestones. When particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the mi9lestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it invoiced to the customer. There is not considered to be a significant financing component in labour outsourcing contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

Accounting policy applicable to comparative period (31 December 2017)

Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as comprising a finance component and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome of the contract can be estimated reliably. The stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of business tax.

Contracted Project Costs

Contracted project costs comprise cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracted projects, and those costs that are attributable to the project activity in general and that can be allocated on a reasonable basis.

Project profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Contracted project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

k. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Trade receivables are normally collected within 90 to 120 days of recognition of the asset. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets, less any provision for impairment.

l. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 90 days of recognition of the liability.

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

n. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

o. Critical accounting estimates and judgments

The director evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates — Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Significant judgments — Provision for impairment of receivables/inventory

The Group assesses the provision for impairment of receivables at each reporting date by evaluating the ageing likely recoverability of the outstanding balances.

p. Accounting standards not yet effective

There are new accounting standards and interpretations that have been published that are not mandatory for current reporting periods. The Group has not applied the following new and revised AASBs that have been issued but are not yet effective which may have a material impact on the financial statements in future:

AASB 16 Leases – Annual reporting periods beginning on or after 1 January 2019

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases*. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

The Group is not expecting to enter into any material operating lease arrangement for the period beginning or after 1 January 2019 and the Group is not expecting any material financial impact resulted from potential operating lease arrangements in the period of initial application of AASB 16.

Operating Segment

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

q. Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the main operating entities, Anhui Jiancheng International Economic and Technical Cooperation Co., Ltd and Ma'anshan Jiancheng Occupational Training School is Chinese Renminbi. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

Group entities
Financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates;
- Income and expenses are translated at average rates for the period; and
- Retained earnings are translated at historical average rates.
- Share capital is translated at historical spot rates

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

r. Rounding of Amounts to Nearest Dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

2 Revenue

	Consolidated Group	
	2018	2017
	$	$
Operating activities		
Contracted projects income	95,748,454	76,590,761
Labour brokerage income	1,806	-
Training school income	832,218	773,063
Total Revenue	**96,582,478**	**77,363,824**
Non-operating activities		
Interest received	1,957	1,651
Government subsidies	135,299	237,677
Other non-operating income	7,961	10,463
Other Income	**145,217**	**249,791**

3 Administration Expenses

	Consolidated Group	
	2018	2017
	$	$
Administration expenses		
Advertising and marketing	166,341	35,000
ASX fee	44,273	43,387
ASX fee for additional share issue	-	9,959
Depreciation	1,205,120	611,674
Hong Kong IPO expenses	867,467	-
Legal	19,238	75,386
Public relations	36,734	44,188
Rental	61,912	35,416
Review and audit	119,500	115,000
Salary expenses	1,588,428	1,049,742
Secretarial service expense	65,416	51,360
Travel expense	68,529	74,046
Other administration expenses	421,788	357,530
Total administration expenses	**4,664,746**	**2,502,688**

4 Finance Costs

	Consolidated Group	
	2018	2017
	$	$
Finance costs		
Interest expense on borrowings	409,615	428,693
Guarantee fees	64,737	59,831
Other finance expenses	140,713	245,484
Total finance costs	**615,065**	**734,008**

5 Income Tax Expense

	Consolidated Group	
	2018	2017
	$	$
The components of tax expense comprise:		
Current tax	2,931,161	2,749,167
Total Income Tax Expense	**2,931,161**	**2,749,167**
Reconciliation of tax expense		
Profit before income tax	10,125,216	9,856,740
Prima facie tax payable on profit before income tax at 30% (2017:30%)	3,037,565	2,957,022
Add:		
Tax effect of:		
-Foreign losses not recognised	1,726	26
-Losses in the parent entity not recognised	447,790	245,036
-Other non-deductible expenses	25,260	80,763
Less:		
Tax effect of:		
-Difference in taxation rates in foreign subsidiaries	(581,180)	(533,680)
Income tax attributable to the entity	**2,931,161**	**2,749,167**
The applicable weighted average effective tax rate are as follows:	29%	28%

6 Auditors' Remuneration

	Consolidated Group	
	2018	2017
	$	$
Remuneration of the auditor for:		
- Reviewing the financial statements	39,500	37,000
- Auditing the financial statements	80,000	78,000
Total Auditors' Remuneration	**119,500**	**115,000**

7 Dividend

	Consolidated Group	
	2018	2017
	$	$
Distribution paid:		
- 59,977,838 unfranked dividend of 2.3 cents per share	-	1,379,490
- Dividend Reinvestment Plan at $0.73150 for 1,555,708 ordinary shares	-	(1,138,012)
Total Dividends paid	**-**	**241,478**

8 Cash and Cash Equivalents

	Consolidated Group 2018 $	2017 $
Cash on hand	1,952,647	446,970
Cash at bank	2,395,066	3,763,138
Total cash and cash equivalent	**4,347,713**	**4,210,108**

9 Trade and Other Receivables

	Note	Consolidated Group 2018 $	2017 $
Current			
Trade receivables		30,043,936	32,792,285
Notes receivable		969,487	-
Other receivables		82,602	845,839
Related party receivable	25(c)	34,485	53,037
Contracted project costs	9(b)	-	24,692,214
Total current trade and other receivables		**31,130,510**	**58,383,375**
Non - Current			
Trade receivables		13,774,466	396,498
Other receivables		2,133,177	2,084,526
Provision for impairment		(1,518,159)	(1,449,660)
Total non–current trade and other receivables		**14,389,484**	**1,031,364**

a. Total Trade Receivables

	Consolidated Group 2018 $	2017 $
Current	30,043,936	32,792,285
Non-current	13,774,466	396,498
Trade Receivables - Gross	**43,818,402**	**33,188,783**
Provision for impairment	(1,518,159)	(1,449,660)
Trade Receivables - Net	**42,300,243**	**31,739,123**

b. Contracted Project Costs

	Consolidated Group 2018 $	2017 $
Contracted project costs incurred	-	231,904,544
Recognised profits	-	54,154,678
	-	286,059,222
Progress billings	-	(261,367,008)
Total Contracted Project Costs	**-**	**24,692,214**

As at 31 December 2018, trade receivable included retentions of Nil (2017: $ 7,081,361) related to contracted projects in progress.

9 Trade and Other Receivables cont

c. Ageing of Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main sources of credit risk to the Group are considered to relate to the classes of assets described as "trade and other receivables".

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis.

	Gross Amount	Past Due and Impaired		Past Due but Not Impaired			Not Past Due
		<1 year	>1 year	1~2 years	2~3 years	>3 years	<1 year
	$	$	$	$	$	$	$
Consolidated Group 2018							
Trade receivables	42,300,243	-	38,285	13,736,182	-	-	28,525,776
Notes receivable	969,487	-	-	-	-	-	969,487
Other receivables	2,250,264	-	46,582	2,086,595	-	-	117,087
Total	**45,519,994**	**-**	**84,867**	**15,822,777**	**-**	**-**	**29,612,350**
Consolidated Group 2017							
Trade receivables	31,739,123	-	314,650	81,848	-	-	31,342,625
Other receivables	2,983,402	-	117,648	2,739,861	-	-	125,893
Contracted project costs	24,692,214	-	-	-	-	-	24,692,214
Total	**59,414,739**	**-**	**432,298**	**2,821,709**	**-**	**-**	**56,160,732**

The aging analysis at balance date for trade receivables is on the basis of the date of interim settlement statements rather than when the receivables are expected to be collected which relates to current and non-current classifications.

The movement in the provision for impairment of trade receivables is as follows:

	Consolidated Group 2018	2017
	$	$
Balance at 1 January	**1,449,660**	**1,465,688**
Foreign currency translation difference	68,499	(16,028)
Balance at 31 December	**1,518,159**	**1,449,660**

10 Contract assets

	Consolidated Group 2018 $	2017 $
Labour outsourcing contracts	31,391,158	-
Total contract assets	**31,391,158**	**-**
Current	**31,391,158**	**-**

Amounts relating to contract assets are balances due from customers under labour outsourcing contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. As at 31 December 2018, contract asset included retentions of $8,794,587 (2017: $ nil) related to contracted projects in progress.

11 Inventory

	Consolidated Group 2018 $	2017 $
Current		
Raw material	5,609	60,413
Total inventory	**5,609**	**60,413**

Inventory includes raw material on hand. Inventory has been determined to be valued at the lower of cost and net realisable value at balance date.

12 Other Current Assets

	Consolidated Group 2018 $	2017 $
Current		
Prepayment	101,842	45,609
Total other current assets	**101,842**	**45,609**

Prepayment in 2018 represents prepaid directors and officers' liability insurance.

13 Property, Plant and Equipment

	Consolidated Group 2018 $	2017 $
Office Equipment		
At cost	622,346	576,541
Accumulated depreciation	(501,994)	(387,302)
Total Office Equipment	120,352	189,239
Buildings		
At cost	6,258,464	5,976,081
Accumulated depreciation	(1,337,747)	(993,523)
Total Buildings	4,920,717	4,982,558
Plant and Equipment		
At cost	5,536,260	5,415,719
Accumulated depreciation	(1,173,026)	(349,669)
Total Plant and Equipment	4,363,234	5,066,050
Motor Vehicles		
At cost	613,836	468,068
Accumulated depreciation	(416,431)	(342,576)
Total Motor Vehicles	197,405	125,492
Total property, plant and equipment	**9,601,708**	**10,363,339**

a Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment $	Buildings $	Plant and Equipment $	Motor Vehicles $	Consolidated Total $
Balance at 1 January 2017	**283,262**	**5,324,651**	**580,266**	**179,586**	**6,367,765**
Addition	7,498	-	4,651,975	-	4,659,473
Write-off of assets stolen due to theft	(7,555)	-	(311)	-	(7,866)
Depreciation expense	(89,055)	(278,578)	(243,175)	(51,159)	(661,967)
Foreign currency translation difference	(4,911)	(63,515)	77,295	(2,935)	5,934
Balance at 31 December 2017	**189,239**	**4,982,558**	**5,066,050**	**125,492**	**10,363,339**
Addition	18,545	-	72,601	121,442	212,588
Disposal	-	-	(156,060)	-	(156,060)
Depreciation expense	(94,720)	(291,968)	(841,911)	(56,638)	(1,285,237)
Foreign currency translation difference	7,288	230,127	222,554	7,109	467,078
Balance at 31 December 2018	**120,352**	**4,920,717**	**4,363,234**	**197,405**	**9,601,708**

14 Intangible Asset

	Consolidated Group	
	2018	2017
	$	$
Land use right	781,907	409,111
Accumulated amortisation	(55,655)	(40,912)
Total Land use right	**726,252**	**368,199**

(a) Reconciliation of carrying amount

	$
Balance at 1 January 2018	**368,199**
Addition	347,151
Amortisation	(12,582)
Foreign currency translation difference	23,484
Balance at 31 December 2018	**726,252**

15 Deferred Tax Assets

	Consolidated Group	
	2018	2017
	$	$
The balance comprises temporary differences attributable to		
Doubtful debts	379,540	362,415
Total deferred tax assets	**379,540**	**362,415**

16 Trade and Other Payables

	Consolidated Group	
	2018	2017
	$	$
Current		
Trade payables	369,134	279,729
Salary payable	20,367,979	16,967,404
VAT Payable/(Receivable)	(45,566)	1,351,149
Other tax payables	128,043	49,380
Other payables	4,313,580	2,078,880
Total Current Trade and Other Payables	**25,133,170**	**20,726,542**

17 Short-term Borrowings

	Consolidated Group	
	2018	2017
	$	$
Current		
Bank loan secured:		
- Huishang Bank (HSB)	1,029,909	983,439
- Shanghai Pudong Development Bank (SPD)	1,029,909	-
- Dangtu Xinhua Village and Township Bank (DXVTB)	2,059,817	1,966,878
- Agricultural Bank of China (ABC)	3,089,725	2,950,316
Total Short-term Borrowings	**7,209,360**	**5,900,633**

$1,029,909 of the bank borrowings from HSB are secured by personal guarantees of the Director, Mr Yonghong Tang, his wife, Mrs Jinxiang Wang and the Group's land and building with a carrying amount of $ 5,646,969 (2017: $ 5,350,756).

The bank borrowings from SPD are secured by a term deposit of RMB 1,060,000, personal guarantees of the Director, Mr Yonghong Tang and his wife, Mrs Jinxiang Wang, and guarantee of Dangtu Dangfa Financing Guarantee Co., Ltd., with the annual guarantee fee of 1.2% of the guaranteed amount. The guarantee contract with Ma'anshan Pubang Financing Guarantee Co., Ltd. is secured by the personal counter guarantees of the Director Mr Yonghong Tang and his wife Mrs Jinxiang Wang.

The bank borrowings from DXVTB are secured by guarantee of Ma'anshan Pubang Financing Guarantee Co., Ltd. with the annual guarantee fee of 1% of the guaranteed amount. The guarantee contract with Ma'anshan Pubang Financing Guarantee Co., Ltd. is secured by the personal counter guarantees of the Director Mr Yonghong Tang and his wife Mrs Jinxiang Wang.

The bank borrowings from ABC are secured by guarantees of Ma'anshan Pubang Financing Guarantee Co., Ltd. and Dangtu Dangfa Financing Guarantee Co., Ltd. with the annual guarantee fee of 1% and 1.2% of the guaranteed amount respectively. The guarantee contract with Ma'anshan Pubang Financing Guarantee Co., Ltd. is secured by the personal counter guarantees of the Director Mr Yonghong Tang and his wife Mrs Jinxiang Wang.

All the remaining bank borrowings will fall due during 2019 financial year and the Company plans to repay those out of working capital and apply for subsequent refinance from the same banks.

18 Current Tax Liabilities

	Consolidated Group	
	2018	2017
	$	$
Income tax payable	2,854,154	2,681,042
Total current tax liabilities	**2,854,154**	**2,681,042**

19 Issued Capital

	Consolidated Group 2018 $	2017 $
At the beginning of reporting period	13,479,597	9,991,585
Shares issued during the year	-	2,500,000
Private placement during the year	1,999,988	-
Dividend reinvestment plan	-	1,138,012
Transaction costs	-	(150,000)
Total Issued Capital	**15,479,585**	**13,479,597**

The company has authorised share capital amounting to 64,233,546 ordinary shares.

a. Ordinary shares

	Consolidated Group 2018 No.	2017 No.
At the beginning of the reporting period	61,733,546	56,980,955
Shares issued during the year:		
- 03 July 2017	-	2,996,883
- 04 December 2017	-	1,755,708
- 27 August 2018	2,500,000	-
At the end of the reporting period	**64,233,546**	**61,733,546**

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital Management

Management controls the capital of the Company in order to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, and ensure that the company can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, and share issues.

20 Reserves

	Consolidated Group	
	2018	**2017**
	$	**$**
Statutory reserve	2,924,383	2,924,383
Training school profits reserve	2,263,645	1,736,183
Foreign currency translation reserve	3,558,498	1,392,014
Total Reserves	**8,746,526**	**6,052,580**

Statutory Reserve

Pursuant to the current People's Republic of China Company Law, the Group is required to transfer 5% to 10% of the profit after taxation made by its wholly owned subsidiary Anhui Jiancheng International Economic and Technical Cooperation Co., Ltd to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital of the subsidiary. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

Training School Profits Reserves

Contributions to the results of the Group by the Ma'anshan Jiancheng Occupational Training School during the financial year are set aside to a reserve called Training School Profits Reserve because Ma'anshan Jiancheng Occupational Training School is a not for profit entity and its constitution prohibits distribution of profits to its Sponsor, the parent company.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

21 Commitments

(a) Capital Commitments

The Group does not have any capital commitments as at 31 December 2018.

(b) Operating Commitments

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

	2018	**2017**
	$	**$**
Payable — minimum lease payments		
not later than 12 months	9,360	30,417
Total operating commitments	9,360	30,417

22 Contingent Assets and Contingent Liabilities

The Group has no contingent liabilities or contingent assets as at 31 December 2018.

23 Events After the Balance Sheet Date

The security of the Group was suspended from official quotation in accordance with listing rule 17.5 on 1 April 2019 following the failure to lodge the relevant period report by the due date.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

24 Cash Flow Information

(a) Reconciliation of cash flows from operating activities

	Consolidated Group	
	2018	**2017**
	$	**$**
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	7,194,055	7,107,573
Non-cash flows in profit		
Depreciation	1,285,237	661,967
Amortisation	12,582	8,029
Net loss on disposal of property, plant and equipment	32,250	7,865
Impairment on notes receivable	59,342	-
Changes in assets and liabilities		
Increase in trade receivables	(9,061,377)	(15,432,495)
Increase in notes receivable	(1,029,908)	-
Decrease in other receivables	879,724	2,853,279
Increase in contract assets	(5,532,182)	-
Increase in prepayments	(56,234)	(33,109)
Decrease/(increase) in inventories	57,660	(50,070)
Decrease in contracted project costs	-	6,747,955
Increase/(decrease) in trade payables	77,242	(84,225)
Increase/(decrease) in income taxes payable	46,426	(409,519)
(Decrease)/increase in other tax liabilities	(1,384,230)	1,369,417
(Decrease)/increase in other payable	(162,523)	145,907
Increase/(decrease) in salary payable	2,599,234	(541,890)
Cash flows from operations	**(4,982,702)**	**2,350,684**

24 Cash Flow Information Cont.

(b) Reconciliation of liabilities arising from cash flows from financing activities

	2017	Cash flows			Non-cash movements		2018
		Proceeds	Repayments	Interest paid	Foreign currency translation difference	Interest expense	
Bank Borrowings	5,900,633	7,080,595	(6,069,081)	(348,416)	297,213	348,416	7,209,360
Other payable due to non-related parties	-	4,046,054	(2,023,027)	(61,199)	36,790	61,199	2,059,817
Total	**5,900,633**	**11,126,649**	**(8,092,108)**	**(409,615)**	**334,003**	**409,615**	**9,269,177**

(c) Non-cash Financing and Investing Activities

During the year the consolidated Group acquired plant and equipment with an aggregate value of nil (2017: $4,696,453) by means of offsetting agreement with Anhui Zhongji Chengjian Construction Co., Ltd (Formerly Ma'anshan Zhongji Chengjian Contruction Engineering Co., Ltd). These acquisitions are not reflected in the statement of cash flows.

25 Related Party Transactions

a) The Group's main related parties are as follows:

(i) Key management personnel:

Mr Yonghong Tang	Managing director / general manager (Appointed 13/04/2015)
Mr Youxi Sun	Executive director / vice general manager (Appointed 07/09/2015)
Mr Yangyu Zhu	Executive director / vice general manager (Appointed 07/09/2015)
Mr John Dixon	Non-executive chairman / director (Appointed 07/09/2015)
Ms Bronwyn Barnes	Non-executive director (Appointed 07/09/2015, resigned 28/02/2018)
Mr Hok Siew Lee	Non-executive director (Appointed 06/03/2018, resigned on 11/02/2019)
Mr Ben Khoo	Non-executive Director (Appointed 11/02/2019)
Mr Yonghui Yu	Chief financial officer – PRC
Ms Ru Shen	Vice general manager - PRC
Mr Min Wu	Alternate director (Appointed on 17/06/2016)

(ii) Other related entities:

Other related entities include entities over which the director has joint control, entities in which the director hold a director's position and individual shareholder:

Sequoia Capital Asia Holdings	Shareholder
Mrs Jinxiang Wang	Spouse of Managing Director
Alford Capital Pty Ltd	A company in which Mr John Dixon is a shareholder and holding a director's role and a secretary's role
Jermah Pty Ltd	A company in which Mr John Dixon is holding a director's role

25 Related Party Transactions cont

b) Transaction with related parties:

There were no commercial transactions with related parties during the financial year.

c) Amounts receivable from related parties:

	Consolidated Group	
	2018	2017
	$	$
Other receivables		
(i) Loans to key management personnel:		
Beginning of the year	53,037	-
Loan advanced	(80,921)	76,598
Loan repayment received	60,240	(25,319)
Foreign currency translation difference	2,129	1,758
End of the year	34,485	53,037

d) Amounts payable to related parties:

	Consolidated Group	
	2018	2017
	$	$
Other payables		
(i) Loans from key management personnel:		
Beginning of the year	-	25,922
Loan repayment made	-	(25,922)
End of the year	-	-

Related party balances comprise related party loans and no specific terms and conditions have been attached to the above transactions. No interest is charged to or from related parties.

26 Financial Risk Management

The Group's financial instruments consist of cash, trade and other receivables, trade and other payables, related party loans and bank loans.

The total for each category of financial instruments are as follows:

	Note	Consolidated Group 2018 $	2017 $
Financial Assets			
Cash and cash equivalents	8	4,347,713	4,210,108
Trade and other receivables	9	45,485,509	34,669,488
Contract assets	10	31,391,158	-
Related Party Loans	25(c)	34,485	53,037
Total financial assets		**81,258,865**	**38,932,633**
Financial Liabilities			
Trade and other payables (excluding VAT & other tax payable)	16	25,050,693	19,326,013
Short term borrowings	17	7,209,360	5,900,633
Total financial liabilities		**32,260,053**	**25,226,646**

The main financial risks to which the Group is exposed are liquidity risk, credit risk and market risk.

There have been no substantive changes in the types of risks the Group is exposed to or how these risks arise from the previous period.

a. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group manages this risk through the following mechanisms:

- monitoring undrawn credit facilities;
- monitoring cash flow and working capital requirement on a regular basis;
- obtaining funding and short term loans from a variety of sources;
- maintaining a reputable credit profile and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects a maturity analysis for financial liabilities:

Financial liabilities due for payment	0 - 12 Months Consolidated Group 2018 $	2017 $	Over 1 Year Consolidated Group 2018 $	2017 $	Total Consolidated Group 2018 $	2017 $
Trade and other payables	25,050,693	19,326,013	-	-	25,050,693	19,326,013
Borrowings	7,209,360	5,900,633	-	-	7,209,360	5,900,633
Total expected outflows	**32,260,053**	**25,226,646**	**-**	**-**	**32,260,053**	**25,226,646**

26 Financial Risk Management cont

b. Credit risk analysis

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In addition, the Group has adopted a policy of only extending credit to customers with proven credit histories as a means of mitigating the risk of financial loss from default. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level. Accordingly, the Group has an immaterial exposure to credit risk.

Trade receivables, notes receivable and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, notes receivable and contract assets.

To measure the expected credit losses, trade receivables, notes receivable and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

26 Financial Risk Management cont

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for both trade receivables and contract assets:

31 December 2018	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0%	8%	30%	80%	
Gross carrying amount – trade receivables	30,043,935	13,736,182	34,027	4,258	43,818,402
Gross carrying amount – notes receivables	969,487	-	-	-	969,487
	-	1,102,509	10,208	3,406	1,116,123
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – contract assets	25,223,530	4,110,910	1,887,699	169,019	31,391,158
	-	-	-	-	-
Loss allowance	**-**	**1,102,509**	**10,208**	**3,406**	**1,116,123**

1 January 2018	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0%	8%	30%	80%	
Gross carrying amount – trade receivables	32,395,787	389,107	2,010	5,381	32,792,285
Loss allowance	**-**	**31,129**	**603**	**4,305**	**36,037**

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2018	2017	2018	2017
	$	$	$	$
31 December – calculated under AASB 139	-	-	1,449,660	1,465,688
Amounts restated through opening retained earnings	-	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under AASB 9	-	-	1,449,660	1,465,688
Increase in loan loss allowance recognised in profit or loss during the year	-	-	-	-
Foreign currency translation difference	-	-	68,499	(16,028)
At 31 December	**-**	**-**	**1,518,159**	**1,449,660**

26 Financial Risk Management cont

Trade receivables, note receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables, note receivable and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

c. Market risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Group's level of borrowings is nominal and any borrowings are normally for terms of 12 months or less. The Group's holds no marketable securities and all cash balances are primarily used for working capital and not invested in interest or dividend-bearing assets. Accordingly, the Group has an immaterial exposure to market risk.

d. Fair value estimation

The carrying amounts of financial assets and financial liabilities are reasonable approximations of their fair values.

26 Financial Risk Management cont

e. Offsetting agreements

As at 31 December 2018, Anhui Jiancheng International Economic and Technical Cooperation Co., Ltd (the wholly owned main operating subsidiary) has a payable balance of RMB 8,000,000 to non-related party Anhui Zhongji Chengjian Construction Co., Ltd and the Company's sponsored entity Ma'anshan Jiancheng Occupational Training School has a receivable balance of RMB 8,000,000 from Anhui Zhongji Chengjian Construction Co., Ltd.

The Group entered into a tripartite offsetting agreement on 31 December 2018 which gives the Group a legally enforceable right to offset its RMB 8,000,000 payable to Anhui Zhongji Chengjian Construction Co., Ltd and Ma'anshan Jiancheng Occupational Training School's receivable for the same amount from Anhui Zhongji Chengjian Construction Co., Ltd as at year end 31 December 2018 and the Group intended to settle the liability and receivable in the future on a 'net basis'.

On this basis, for the year ended 31 December 2018, in accordance with AASB 132, the Group has offset in its consolidated financial statements its RMB 8,000,000 liability to Anhui Zhongji Chengjian Construction Co., Ltd against Ma'anshan Jiancheng Occupational Training School's receivable for the same amount from Anhui Zhongji Chengjian Construction Co., Ltd, thereby recognising a net amount of nil in respect of the two balances.

27 Interests in subsidiaries

(a) Information about Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or share capital injection, which are held directly by the group unless otherwise stated. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2018	2017
		%	%
Jiancheng International Holdings Limited	Hong Kong	100	100
Ma'anshan City Jiancheng Human Resources Service Limited	Anhui, China	100	100
Anhui Jiancheng International Economic and Technical Cooperation Co.,Ltd***	Anhui, China	100*	100*
Ma'anshan Jiancheng Occupational Training School	Anhui, China	N/A**	N/A**

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

* Refer Corporate Information section of the Director's report for information on ownership interest
**Refer 27(b) for information on ownership interest

(b) Significant Restrictions

Ma'anshan Jiancheng Occupational Training School is a not for profit entity and its constitution prohibits realisation and distributions of its assets to its Sponsor, the parent company. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is as follows:

	2018 $	2017 $
Current assets		
Cash and cash equivalents	9,293	38,588
Trade and other receivables	70,659	18,548
Total current assets	79,952	57,136
Non-current assets		
Property, plant and equipment	118,036	106,671
Total non-current assets	118,036	106,671
Total assets	**197,988**	**163,807**

The subsidiary's contribution to the Group's results for 31 December 2018 ($ 527,462) is not available for distribution to the members of the Company. There are no significant restrictions over the Group's ability to settle liabilities of the Group.

28 Parent Entity Information

Jiancheng International Group Limited "the Company" is a limited liability company, incorporated and domiciled in Australia on 13 April 2015.

Statement of financial position	2018 $	2017 $
Assets		
Current assets	7,472,752	7,128,845
Non-current assets	54,413	56,488
Total Assets	7,527,165	7,185,333
Liabilities		
Current liabilities	498,937	664,458
Non-current liabilities	-	-
Total Liabilities	498,937	664,458
Net Assets	7,028,228	6,520,875
Equity		
Issued capital	10,797,541	8,797,554
Accumulated losses	(3,769,313)	(2,276,679)
Total equity	7,028,228	6,520,875
Statement of Comprehensive income		
Total (loss)/profit	(1,492,634)	562,213
Total comprehensive income	(1,492,634)	562,213

The Company has no contingent liabilities or contingent assets as at 31 December 2018.

29 Key Management Personnel Compensation

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

	Consolidated Group	
	2018	**2017**
	$	**$**
Short-term employee benefits	641,876	579,052
Post-Employment Superannuation	-	6,796
Total KMP compensation	**641,876**	**585,848**

30 Operating Segments and Disaggregation of Revenue

a. Operating Segments

The Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) assess performance and determine the allocation of resources based on the internal reports which are organised in one operating segment for the subcontracting of workforce with State Owned Enterprise and private companies based in China. As a result, there is only one operating segment and the statement of profit or loss and other comprehensive income and the statement of financial position is reflective of this operating segment.

Major customers

During the year ended 31 December 2018, approximately 67% (2017: 81%) of the Group's external revenue was derived from subcontracting workforce to one customer.

b. Disaggregation of Revenue

The disaggregation of revenue for the company is based on the type of services for two categories namely contracted project income and training school income:

31 December 2018	**Contracted projects income**	**Training school income**	**Total**
	$	**$**	**$**
Timing of revenue recognition			
At a point in time	-	-	-
Over time	95,750,260	832,218	96,582,478
	95,750,260	**832,218**	**96,582,478**

31 December 2017			
	$	**$**	**$**
Timing of revenue recognition			
At a point in time	-	-	-
Over time	76,590,760	773,064	77,363,824
	76,590,760	**773,064**	**77,363,824**

31 Earnings Per Share

	2018 $	2017 $
Profit after income tax attributable to the owners of Jiancheng International Group Limited	7,194,055	7,107,573

	2018 Number	2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,822,587	58,609,976
Weighted average number of dilutive option outstanding*	-	-
Weighted average number of ordinary shares used in calculating dilutive EPS	62,822,587	58,609,976

* There are no unissued ordinary shares of the Group under option at the date of this report.

32 Company Details

The registered office and principal place of business of the Company is:

Jiancheng International Group Limited
Level 36, Australia Square
264 George Street
Sydney, NSW 2000

Directors' Declaration

1. In the opinion of the Directors of Jiancheng International Group Limited and Its Controlled Entities:

   a. The consolidated financial statements and notes of Jiancheng International Group Limited and Its Controlled Entities are in accordance with the *Corporations Act 2001* and:

      i. giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   b. There are reasonable grounds to believe that the Jiancheng International Group Limited and Its Controlled Entities will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

Mr Yonghong Tang

Dated this 3rd of July 2019

Jiancheng International Group Limited
ACN 25 605 248 904

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JIANCHENG INTERNATIONAL GROUP LIMITED

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Jiancheng International Group Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of* Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

The Group's trade receivables are $43,818,402 and their related provision for impairment is $1,518,159 with a net carrying value of $42,300,243 as disclosed in note 9(a) on the consolidated statement of financial position as at 31 December 2018. The ageing of these net receivables disclosed in note 9(c) show $28,525,776 within 1 year and $13,774,467 greater than 1 year. Further to this and as per note 10, the Group's contract assets include $8,794,587 as retention receivable which are associated with the trade receivable. The total trade receivables and retention receivable are carried at $51,094,830 and represent 90% of the Group's net assets of $56,877,132 as at 31 December 2018.

In addition, the Group's contract assets include labour outsourcing contracts that are aged more than 1 year with no provision for impairment. It is noted that these amounts have not been separately disclosed in the financial statements.

We are unable to determine whether:

1. the net trade receivables of $42,300,243 and retention receivable of $8,794,587 are recoverable and whether the provision for impairment is adequate and calculated in accordance with the expected loss model.

2. the provision for impairment of the Group's contract assets that include labour outsourcing contracts aged more than 1 year is adequate and calculated in accordance with the expected loss model.

As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's assets and any impairment charge which might impact the elements making up the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the Group's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the *Corporations Act 2001* and the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

The director of the Company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the director determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the director is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 31 December 2018. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Unqualified Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Jiancheng International Group Limited for the 31 December 2018, complies with section 300A of the *Corporations Act 2001.*

Pitcher Partners

Jim Gouskos
Principal

Pitcher Partners
Adelaide

Date 8th July 2019