

## PRELIMINARY FINAL REPORT APPENDIX 4E

### REPORTING PERIODS

Current reporting period	Six months ended 31 December 2016
Previous corresponding period	Financial year ended 30 June 2016

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

#### Summary

				A \$'000
Revenue from continuing operations	Down	84%	to	4,961
Net underlying profit for the period	Up	18%	to	8,047
Net statutory profit for the period	Up	68%	to	8,047
Profit attributable to members of Tian An Australia Limited (TIA)	Up	68%	to	8,047

The Company changed its year end date to 31 December. As a result, full consolidated financial statements are prepared as at 31 December 2016. The reporting period covered in this report is six months ended 31 December 2016. The comparative period reflects the previous reporting period being the twelve months ended 30 June 2016.

#### Dividends per Share

	Interim (cents)	Final (cents)
Amount per share	Nil	Nil
Franked amount per share at 30% tax	N/A	N/A
Record date for determining entitlements to dividends	N/A	N/A
Payment date of dividends	N/A	N/A

No dividends were declared during the six months ended 31 December 2016 or the previous corresponding period.

#### NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current reporting period	143 cents per Share
Previous corresponding period	142 cents per Share

TIA reported an underlying profit of \$8.0 million, compared with a \$6.8 million in the prior comparative period. TIA recorded statutory profit of \$8.0 million against \$4.8 million in the prior comparative period.

TIA generated \$4.96 million of revenue from continuing operations, driven by sales of 20 lots at SeaSpray in Point Cook, Victoria and a carpark lot at Port Bouvard in Mandurah, Western Australia.

For personal use only



During the year TIA completed its investment of the Burwood Square, Burwood in New South Wales, realising \$8.5 million in profit.

TIA's net asset balance at 31 December 2016 is \$123.8 million, up from \$123.2 million in the prior comparative period.

In December 2016 TIA exchanged contract on a site in Enfield in New South Wales. TIA continues to seek potential projects that meet its strategy to expand on the eastern seaboard of Australia.

As in the previous reporting period, the Directors continue to regard non-recognition of TIA's deferred tax asset balance as a prudent accounting approach.

No dividend was declared for the current reporting period.

Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements and the Directors report attached thereto.

The report is based on the consolidated financial statements which have been audited by BDO East Coast Partnership.

For personal use only

For personal use only

# **TIAN AN AUSTRALIA LIMITED**

**ABN 12 009 134 114**

**AND ITS CONTROLLED ENTITIES**

**FINANCIAL REPORT**

**FOR THE PERIOD 1 JULY 2016 to**

**31 DECEMBER 2016**

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Corporate directory

---

ABN 12 009 134 114

### DIRECTORS

Arthur Dew  
Cerena Fu  
Marcus Seow

### COMPANY SECRETARY

Hai-Young Lu

### ALTERNATE DIRECTOR

Mark Wong (to Arthur Dew)

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 5  
99 Macquarie Street  
Sydney NSW 2000

Telephone: (02) 8243 9700  
Facsimile: (02) 8243 9799

Website: [www.tianan.com.au](http://www.tianan.com.au)  
Email: [admin@tianan.com.au](mailto:admin@tianan.com.au)

### SHARE REGISTRY

Computershare Registry Services Pty Ltd  
Level 4  
60 Carrington Street  
Sydney NSW 2000

GPO Box 2975  
Melbourne VIC 3001

Telephone: 1300 850 505

### SOLICITOR

Piper Alderman  
Level 23, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

### AUDITOR

BDO East Coast Partnership  
Level 11  
1 Margaret Street  
Sydney NSW 2000

### BANKERS

St. George Bank  
Level 1  
167 St Georges Terrace  
Perth WA 6000

Commonwealth Bank of Australia  
48 Martin Place  
Sydney NSW 2000

### ASX LISTING

Tian An Australia Limited's shares are listed on ASX (ASX code: TIA)

### CORPORATE GOVERNANCE STATEMENT

Refer to the governance page of Tian An Australia Limited's website.

For personal use only

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Contents

---

Directors' report	2
Auditor's independence declaration	16
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Explanatory notes to the consolidated financial statements	21
Directors' declaration	61
Independent auditor's report	62

For personal use only

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

---

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **Consolidated Entity** and / or the **Group**) consisting of Tian An Australia Limited (referred to hereafter as the **Company**) and the entities it controlled at the end of, or during, the period 1 July 2016 to 31 December 2016 (the **Period**). The Company has changed its year end to 31 December to align with the financial year end of its substantial shareholders. As a result, a full set of consolidated financial statements is prepared as at 31 December 2016.

### DIRECTORS

The following persons were Directors of the Company from the commencement of the period and up to the date of this report, unless otherwise specified:

#### Current

<b>Name</b>	<b>Position</b>
Arthur Dew	Chair
Cerena Fu	Independent Non-Executive Director
Marcus Seow	Independent Non-Executive Director
Mark Wong	Alternate Director to Arthur Dew

#### Company Secretary

The Company Secretary from the commencement of the period and up to the date of this report is Hai-Young Lu.

#### Qualifications and experience

##### Directors

##### **Arthur Dew** LLB *Chair*

Mr. Arthur Dew was appointed as a non-executive director and designated as the non-executive chairman on 3 December 2015 and 18 December 2015, respectively. He graduated from the Law School of the University of Sydney, Australia, and was admitted as a solicitor and later as a barrister of the Supreme Court of New South Wales, Australia. He is currently a non-practising barrister. He has a broad range of corporate and business experience and has served as a director, and in some instances chairman of the board of directors, of a number of public companies listed in Australia, Hong Kong, and elsewhere.

##### *Other current directorships of listed companies*

He is also the chairman and a non-executive director of each of Allied Group Limited, Allied Properties (H.K.) Limited, APAC Resources Limited and Dragon Mining Limited, and a non-executive director of each of SHK Hong Kong Industries Limited and Tanami Gold NL.

##### *Former directorships of listed companies in last three years*

Mr. Dew was previously the chairman and a non-executive director of SkyOcean International Holdings Limited (formerly known as Allied Overseas Limited) and a non-executive director of BARD1 Life Sciences Limited (formerly known as Eurogold Limited).

Dragon Mining Limited, Tanami Gold NL and BARD1 Life Sciences Limited are companies listed on the Australian Securities Exchange.

##### **Mark Wong**

##### *Alternate Director*

Mr. Mark Wong was appointed as an alternate director to Arthur Dew on 3 December 2015. He has a Master's Degree in Business Administration and is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wong was the financial controller of other listed companies in Hong Kong.

##### *Other current directorships of listed companies*

Mr. Wong is a director of investment of Allied Group Limited. He is also an executive director of each of Allied Properties (H.K.) Limited and SHK Hong Kong Industries Limited and an alternate director to Mr. Arthur Dew in APAC Resources Limited, Dragon Mining Limited and Tanami Gold NL..

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the period 1 July 2016 to 31 December 2016

---

#### *Former directorships of listed companies in last three years*

Mr. Wong was previously an executive director and the chief executive officer of SkyOcean International Holdings Limited (formerly known as Allied Overseas Limited) and an alternate director to Mr. Arthur Dew in BARD1 Life Sciences Limited (formerly known as Eurogold Limited).

Dragon Mining Limited, Tanami Gold NL and BARD1 Life Sciences Limited are companies listed on the Australian Securities Exchange.

#### **Cerena Fu** LLB

##### *Independent Non-Executive Director*

Ms. Fu was appointed to the Board on 5 April 2013. Ms. Fu is the principal of CFC Lawyers, a legal practice established in 2004 based in Double Bay, New South Wales. Ms. Fu has acted for both local and international clients on numerous significant property and investment transactions, business acquisitions and commercial and retail leases. Ms. Fu has been involved in all aspects of commercial financing, including acting for both mortgagees and mortgagors and has successfully commenced and conducted commercial litigation.

Ms. Fu is admitted to practice in the Supreme Court of New South Wales, the Federal Court of Australia and the High Court of Australia and is a member of the Law Society of New South Wales. She holds a degree in law from the University of New South Wales and a Master's degree from the University of Sydney.

##### *Other current directorships of listed companies*

None.

##### *Former directorships of listed companies in last three years*

None.

#### **Marcus Seow**

##### *Independent Non-Executive Director*

Mr. Seow was appointed to the Board on 1 October 2013. Mr. Seow is currently a Managing Partner of Ideal Advisory, an Australian boutique property development company. Mr. Seow is also a director with Low Yat Group, a Malaysian-based diversified property group with interests in Asia and Australia.

##### *Other current directorships of listed companies*

None.

##### *Former directorships of listed companies in last three years*

None.

#### **Company Secretary**

##### **Hai-Young Lu** BCom, LLB, GradDipACG

##### *Company Secretary*

Mr. Lu was appointed as Company Secretary on 28 May 2014. Mr. Lu has worked at an ASX listed oil and gas explorer and in private practice as a corporate lawyer in the areas of mergers and acquisitions, equity capital markets and corporate governance.

He is a director of Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd, a mainland Chinese based iron casting corporation.

Mr. Lu is a solicitor of the Supreme Court of Queensland.

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the 31 December 2016 period and the number of meetings attended by each Director is as follows:

Number of meetings attended	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
Arthur Dew	2	2	2	2
Cerena Fu	2	2	2	2
Marcus Seow	2	2	2	2
Mark Wong	-	-	-	-

Where:

A = # of meetings attended

B = # of meetings held during the time the Director was in office or member of the committee during the period

### CORPORATE INFORMATION

The Company is limited by shares and is incorporated and domiciled in Australia. It is the ultimate parent entity of the Group and has prepared a consolidated financial report incorporating the entities that it controlled during the period ended 31 December 2016. These are detailed in the accompanying notes to the financial statements.

### PRINCIPAL ACTIVITIES

The principal activity of the Group during the period was the development and sale of residential land and built-form products. The Company has interests in developments on the east coast of Australia and developments in the Mandurah / Peel Region of Western Australia.

#### Summary of developments

Development specific updates are shown below.

*Villa Site (Port Bouvard, Western Australia)*

The Company is in the process of selling the site.

*Oceanique (Port Bouvard, Western Australia)*

There are four Oceanique apartments available for sale as at 31 December 2016.

*Point Grey (Point Grey, Western Australia)*

Point Grey is located on the only elevated peninsula setting on the eastern shores of the Peel Inlet and the Harvey Estuary in the Shire of Murray, Western Australia. Geographically, Point Grey is situated approximately 20 kilometres west of the Pinjarra town site, and approximately 12 kilometres south-east of the Mandurah city centre.

The Group acquired approximately 275 hectares of land at Point Grey in 2006 and has subsequently obtained Commonwealth and State Government approvals to develop the site into a residential village incorporating a marina.

*Burwood Square (Burwood, New South Wales)*

In September 2013, the Company entered into the joint venture with the owners and the developer of the land. The developer was B1 Goldfield Development Pty Limited.

Burwood Square comprised of 210 residential apartments across three towers, 7,455 sqm of retail / commercial space contained in a podium and public and private basement car parking.

In June and August 2016, the Company received completion payments of \$33,880,000 in total, resulting in current period profits of \$8,460,000. The Company has now completed its investment in the Burwood Square apartment project.

*The Milton (Milton, Queensland)*

In December 2013 the Group invested in The Milton apartment project. The site is located within the suburb of Milton, only two kilometres from the Brisbane CBD and directly adjacent to the Milton railway station.

The Group has entered into the joint venture with the owners and the developer of the land. The developer is FKP Commercial Developments Pty Limited (a wholly owned subsidiary of Aveo Group).



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the period 1 July 2016 to 31 December 2016

---

The Milton is a 30 storey mixed-use tower, comprising 300 residential units, together with 1,121 sqm of retail and 1,150 sqm of commercial premises.

Construction has completed with 292 of the 295 residential units settled to date. The retail / commercial space is currently in the process of being leased in preparation for sale. The Milton has an end value of approximately \$215,000,000. To date the Company has received \$30,500,000 with the remaining proceeds expected in 2017 once the remaining residential units and the retail / commercial space have been sold.

#### *SeaSpray (Point Cook, Victoria)*

In December 2013, the Group invested in the SeaSpray residential land subdivision. The site is located within the suburb of Point Cook, 19 kilometres from the Melbourne CBD.

The Group has entered into the joint venture with the owners of the land. The owner is FKP Residential Developments Pty Limited (a wholly owned subsidiary of Aveo Group).

SeaSpray is a subdivision which upon completion will comprise of 247 residential lots developed in eight stages, together with local roads, public open space and wetlands.

SeaSpray has a total end value of approximately \$58,000,000. As at 31 December 2016, approximately 76% have settled with the majority of the remaining lots being unconditionally exchanged. The project is due to be completed in 2017.

#### **ENVIRONMENTAL REGULATION**

The Group is subject to environmental regulation in respect of its land development as set out below. The Group is committed to undertaking its developments in an environmentally responsible manner and to a high environmental standard. The Group takes its environmental responsibilities seriously and notes that it is a stakeholder expectation that the environment is being treated appropriately and sustainably.

#### **LAND DEVELOPMENT APPROVAL**

All current projects are being undertaken with approvals issued by the relevant statutory authorities. To the best of the Directors' knowledge, all activities to implement the projects have been undertaken in compliance with the requirements of the existing approvals.

#### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Group recently exchanged contracts for a commercial property in Enfield, New South Wales for \$35,000,000. The Group intends to redevelop this site into residential accommodation. Settlement is due to take place in July 2017.

The Group will continue to focus its strategy of diversifying the Group's residential development sites along the east coast of Australia, within inner metropolitan and city locations, close to established infrastructure.

The Group will also aim to sell the remaining four Oceanique apartments, the Villa site and assess its options in respect of Point Grey now that all Commonwealth and State Government approvals have been obtained.

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### REVIEW OF OPERATIONS

#### Operating Performance

For the period ended 31 December 2016 an underlying profit of \$8,047,000 was recorded (year ended 30 June 2016: \$6,846,000). The Group's statutory profit recorded for the period is \$8,047,000 (year ended 30 June 2016: \$4,791,000).

The following table summarises key reconciling items between the Group's underlying profit and statutory profit after tax:

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
Underlying profit before tax	8,047	6,846
Peel Water plant and equipment depreciation	-	(980)
Derivative gain	-	1,668
Foreign exchange loss	-	(2,743)
Statutory profit attributable to members before tax	<u>8,047</u>	<u>4,791</u>
Income tax expense	-	-
Statutory profit attributable to members after tax	<u>8,047</u>	<u>4,791</u>

During the period the Group's revenue from continuing operations was \$4,961,000 (year ended 30 June 2016: \$30,604,000). Settlement of SeaSpray lots were the main drivers of the Group's revenues. The Company also completed its investment in the Burwood Square apartment project, realising \$8,460,000 in profit for the period 1 July 2016 to 31 December 2016.

#### Financial Position

The Group's net assets at 31 December 2016 are \$123,751,000 (30 June 2016: \$123,203,000). During the period the Group:

- Realised projects at The Milton, Burwood Square and SeaSpray resulting in cash reserves of \$47,399,000.
- Continued to assess the options at Point Grey.
- Developed strategies to sell the remaining four apartments at Oceanique.
- Had an undrawn debt facility of \$22,000,000.

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

Key elements of the Group's statement of financial position are shown below:

	Consolidated	
	31 December 2016	30 June 2016
	\$'000	\$'000
Current assets	76,304	75,920
Non-current assets	48,524	48,238
Total assets	124,828	124,158
Current liabilities	1,055	943
Non-current liabilities	22	12
Total liabilities	1,077	955
Net assets	123,751	123,203

	Consolidated	
	December 2016	June 2016
# of ordinary shares on issue	86,608,380	86,608,380
Balance sheet gearing ratio <sup>1</sup>	0%	0%

<sup>1</sup> Balance sheet gearing ratio = (interest bearing bank debt - cash) / (total assets - cash)

### Dividends

No dividends were paid or payable during the period or the previous financial year.

### DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2016, none of the directors have interests in the Company directly or nominally held.

### REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

1. Key management personnel (KMP);
2. Governing principles;
3. Details of remuneration;
4. Service agreements;
5. Share-based compensation; and
6. Additional information.

#### 1. Key Management Personnel

The following persons were KMP of the Group during the period:

Name	Position
Arthur Dew	Chair – Non-Executive
Cerena Fu	Director – Non-Executive
Marcus Seow	Director – Non-Executive
Mark Wong	Alternate Director
Jally Lin	Chief Executive Officer

## 2. Governing Principles

The Group does not have a formal remuneration committee due to its limited size. The Board of Directors therefore sets the parameters and objectives for the remuneration of the Group's senior executive. The Board may use the services of a remuneration consultant for remuneration advice.

The performance of the Group depends upon the quality of its Directors and senior executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and senior executives. To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre senior executives being mindful of the market, position and work required;
- Be acceptable to Shareholders;
- Be linked to and aligned with performance in order to motivate senior executives;
- Ensure the reward is transparent; and
- Ensure the reward only be given after due consideration of the Group's capital management requirements and strategies.

The reward structure has been designed to be aligned with both Shareholder and senior executive interests. To ensure alignment with Shareholder interests, the reward structure:

- Has the Group's short-term strategy in mind;
- Focuses on sustained growth in Shareholder wealth, delivering consistent return on assets;
- Encourages senior executives to focus on non-financial drivers of value; and
- Attracts and retains high calibre senior executives.

To ensure alignment with senior executives' interests, the reward structure:

- Rewards capability, effort and experience;
- Reflects competitive reward for contribution to growth in Shareholder wealth;
- Provides a clear structure for earning rewards;
- Allows senior executives, to a limited extent, to determine how bonuses, if any, shall be received; and
- Provides recognition and reward for contribution.

The framework provides a mix of fixed and variable pay. The base level of senior executive remuneration can take into account the performance of the Group over a number of years, but primarily the current and prior years. However, it can also take into consideration the development pipeline.

### *Bonus Payments*

Bonuses can be paid where the Board deems it to be appropriate. There are no specific criteria for bonuses however bonuses are usually paid after achievement of milestones or performance targets by the individuals concerned.

No bonuses were paid in the current period.

### *Non-Executive Directors*

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Director fees are not specifically linked to the results of the Group in a particular period however in setting Non-Executive Director fees the Board gives consideration to the overall recent performance of the Directors and the Group as a whole.

Non-Executive Director fees are determined within an aggregate Director fee pool limit, which is periodically recommended for approval by Shareholders. This amount was set at a maximum of \$600,000 per annum at a general meeting of Shareholders held on 28 November 2014.

The base remuneration for Non-Executive Directors was reviewed during the 2013 financial year, and the revised remuneration took effect on 1 January 2013. As of that date, Non-Executive Directors of the Company, including the Chair, were paid \$40,000 per annum plus statutory superannuation (except where Directors' fees are paid to a corporation). It was resolved at the 30 October 2013 Board meeting to increase the remuneration of the Chair to \$80,000 per annum plus statutory superannuation as of 30 October 2013. The Board reduced the remuneration of the Chair to \$40,000 per annum plus statutory superannuation in December 2015.

Additional remuneration, at arm's length rates, may be paid for specific additional services from time to time as determined by the Board. Further, Non-Executive Directors do not receive retirement benefits or additional fees for being members of Board committees.

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

On 7 April 2014, the Shareholders approved the issue of options over shares of the Company to the Non-Executive Directors. These options form part of the remuneration of the Non-Executive Directors. All of these options expired during the year ended 30 June 2016 and no further options have been issued to Non-Executive Directors since that date.

### KMP

The executive pay and reward framework has four components:

- Base pay and benefits;
- Discretionary bonus payments;
- Performance-based (at-risk) remuneration; and
- Other remuneration such as superannuation.

Share options can form an important part of compensation. No options were granted during the period ended 31 December 2016 (year ended 30 June 2016: nil). Details of the options previously issued are shown in the KMP compensation table.

### Base Pay and Benefits

Executives are rewarded through a base salary and certain non-cash benefits, where they are deemed to be appropriate. Such remuneration is discussed and determined by the Board upon receiving appropriate advice.

KMP salary and superannuation is reviewed in the first few months of every new calendar year where individual performance and the performance of the Group are taken into account when setting the next year's base salary and remuneration.

Benefits paid to KMP may include motor vehicle expenses and payment of any associated fringe benefits tax that may arise.

The following table shows the gross revenue, net profits and dividends paid to Shareholders over the past five reporting periods.

	Six months ended 31 December 2016	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
Revenue	\$5.0m	\$30.6m	\$14.4m	\$4.8m	\$9.6m
Net profit / (loss) after tax	\$8.0m	\$4.8m	(\$14.9m)	(\$8.6m)	(\$3.4m)
Share price at period/year end	\$0.69	\$0.69	\$0.018	\$0.02	\$0.009
# of shares on issue at period/year end	86.6m	86.6m	65.0m	65.0m	37.1m
Dividends paid (per share)	Nil	Nil	Nil	Nil	Nil
Return of capital at a premium to market price	Nil	Nil	Nil	Nil	Nil

### Bonus Payments

Executives may be eligible for bonuses paid as either cash or non-cash benefits.

Executives currently do not have specific performance criteria in order to receive bonuses and therefore any current bonuses paid are done so at the discretion of the Board. When making decisions with respect to bonuses, the Board closely considers the following factors:

- Overall Group performance and contribution to Shareholder value;
- Attainment of project-specific goals or solutions that may arise in the natural course of the Group's operations;
- Performance of an individual's role relative to the Board's expectations; and
- The individual's ongoing loyalty to the Group.

All executives have regular contact and interaction with the Board, whereby they are able to clearly understand the Board's expectations of their performance. This ensures that the goals attained by executives, and by which their short-term incentives are determined, are in line with the Board and Group's short- and long-term strategies.

### Performance-Based (At-Risk) Remuneration

There is no proportion of total remuneration to KMP which is at risk and only payable on the basis of performance achieving defined outcomes as KMP currently do not have any contracted key performance indicators.

### Other Remuneration

KMP receive superannuation in line with current superannuation guarantee requirements.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the period 1 July 2016 to 31 December 2016

#### 3. Details of Remuneration

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director of the Group. The KMP are the same for the Company as for the Group.

Details of the Group's remuneration to KMP during the period, regardless of whether the person was part of KMP for the entire period, are outlined in the tables below:

Six month period ended 31 December 2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash, salary and fees	Cash bonus	Non-cash benefit	Superannuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
Arthur Dew	20,000	-	-	1,900	-	-	21,900
Cerena Fu	20,000	-	-	1,900	-	-	21,900
Marcus Seow	20,000	-	-	1,900	-	-	21,900
Mark Wong	-	-	-	-	-	-	-
<b>Other KMP</b>							
Jally Lin	115,297	-	7,083	10,001	-	-	132,381
<b>Totals</b>	<b>175,297</b>	<b>-</b>	<b>7,083</b>	<b>15,701</b>	<b>-</b>	<b>-</b>	<b>198,081</b>

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### 3. Details of remuneration (continued)

Year ended 30 June 2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash, salary and fees	Cash bonus	Non-cash benefit	Superannuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
Arthur Dew <sup>1</sup>	23,118	-	-	2,196	-	-	25,314
Winson Chow <sup>2,3</sup>	40,680	-	-	-	-	-	40,680
Cerena Fu	40,000	-	-	3,800	-	34,657	78,457
Marcus Seow	40,000	-	-	3,800	-	34,657	78,457
Mark Wong	-	-	-	-	-	-	-
<b>Other KMP</b>							
Jally Lin	182,648	-	13,039	17,352	-	129,042	342,081
<b>Totals</b>	<b>326,446</b>	<b>-</b>	<b>13,039</b>	<b>27,148</b>	<b>-</b>	<b>198,356</b>	<b>564,989</b>

<sup>1</sup> Arthur Dew was appointed 3 December 2015

<sup>2</sup> The remuneration for Winson Chow was paid to Mulpha Australia Limited

<sup>3</sup> Winson Chow retired 18 December 2015

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### 4. Service Agreements

#### Board Remuneration

##### *Non-Executive Chair*

Pursuant to a Board resolution dated 18 December 2015 the Chair receives a Director's fee of \$40,000 per annum plus statutory superannuation (except where the fee is paid to a corporation). Refer to the table on page 7 for the name of the Chair.

##### *Non-Executive Directors*

Pursuant to a Board resolution dated 5 March 2013 the Non-Executive Directors are paid a fee of \$40,000 per annum plus statutory superannuation (except where the fee is paid to a corporation). Refer to the table on page 7 for the names of Non-Executive Directors.

##### *Executive Directors*

The Company has no Executive Directors.

#### Board Appointment Terms

##### *Non-Executive Chair and Directors*

All Non-Executive Directors, including the Chair, serve three year terms and compulsorily retire at the end of each term with eligibility for re-appointment. No termination benefits are payable on termination by the Company to the Non-Executive Directors.

##### *Executive Directors*

The Company has no Executive Directors.

#### KMP

Contracts with KMP are shown in the table below:

Name	Key terms	Base salary including superannuation <sup>1</sup>	Termination benefit
Jally Lin Chief Executive Officer	<ul style="list-style-type: none"><li>Commenced 1 June 2013</li><li>Performance reviews in June and December each year</li><li>Statutory leave entitlements</li><li>Termination notice period of eight weeks</li></ul>	\$235,000 p.a. plus discretionary performance incentives on the basis of predetermined KPIs (yet to be determined) plus car parking costs from April 2016	-

<sup>1</sup> Base salary quoted is current at the date of this report

### 5. Share-Based Compensation

#### *Options*

In the period ended 31 December 2016 period the Board did not issue any options to executives. Options, if granted, are on a discretionary basis and do not form part of an overall employee option plan. There were no options on issue to executives or Directors as at 31 December 2016 (30 June 2016: nil).

#### *Shares*

There were no shares issued as part of compensation during the period (2016: nil).

### 6. Additional Information

#### *Cash Bonuses*

No bonuses were paid in the current period (year ended 30 June 2016: nil).



# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### ADDITIONAL DISCLOSURE RELATING TO KMP

#### Shareholdings

The number of shares in the Company held during the period by each Director and other members of the KMP of the Group, including their personally related parties, is set out below:

	Balance at 30 June 2016	Received as part of remuneration	Additions	Disposals / other	Balance at 31 December 2016
<i>Ordinary shares</i>					
<i>Directors</i>					
Arthur Dew	-	-	-	-	-
Cerena Fu	-	-	-	-	-
Marcus Seow	-	-	-	-	-
<i>KMP</i>					
Jally Lin	1,167,469	-	-	-	1,167,469

#### Other transactions with KMP and their related parties

During the period, payments for payroll and information technology services to Caldisc Pty Limited, a 100% owned subsidiary of Mulpha (both a related entity of ex-Director Winson Chow and ex-Shareholder of the Company) of \$23,112 (year ended 30 June 2016: \$92,448) were made. Payments of \$59,698 (year ended 30 June 2016: \$114,968), for office rent were paid to Mulpha Transport House Pty Limited. Both companies are 100% owned subsidiaries of Mulpha.

Payments were also made to AP Finance Limited, an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited, of which Arthur Dew is the Chair. The Company's largest shareholder Oasis Star Limited is a 100% indirectly held subsidiary of Tian An China Investments Limited, which is 48.66% indirectly held by Allied Properties (H.K.) Limited. Interest and facility fee payments of \$115,000 were made in the period (year ended 30 June 2016: \$764,583).

All transactions were made on normal commercial terms and conditions and at market rates.

END OF AUDITED REMUNERATION REPORT

### SHARES UNDER OPTION

There are no unissued ordinary shares of the Company under option that are unlisted at the date of this report. There are no un-issued ordinary shares of the Company under option that are listed on ASX at the date of this report.

### SHARE ISSUED ON THE EXERCISE OF OPTIONS

No shares were issued on the exercise of options during the period (year ended 30 June 2016: nil).

### AUDIT & RISK COMMITTEE

The Directors of the Company have formed an Audit & Risk Committee. Audit & Risk Committee members during and subsequent to the period are outlined below:

- Cerena Fu (Chair)
- Marcus Seow
- Arthur Dew

Members are not separately remunerated for their role as members of the Audit & Risk Committee.

The Audit & Risk Committee's responsibilities include:

- Reviewing the annual report and all other financial information published by the Company;
- Reviewing the effectiveness of the organisation's internal control environment;
- Reviewing the risk management framework; and
- Considering the appointment, removal and remuneration of external auditors and reviewing terms of their engagement, scope and quality of the audit.

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the period 1 July 2016 to 31 December 2016

### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### INSURANCE OF OFFICERS

During the period the Company paid premiums to insure the officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the period.

### MATTERS SUBSEQUENT TO THE END OF THE PERIOD

There has not been any matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

### NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The following fees for non-audit services were paid to the external auditors, BDO East Coast Partnership, and their affiliated entities during the period ended 31 December 2016 by the Group:

	<b>Six months ended 31 December 2016 \$</b>	<b>Year ended 30 June 2016 \$</b>
<b>Service</b>		
Taxation compliance services	54,520	23,683
Other agreed upon procedures engagements	9,500	20,000
Total	<u>64,020</u>	<u>43,683</u>

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Directors' report for the period 1 July 2016 to 31 December 2016

---

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act can be found on page 16.

### ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191. The Company is an entity to which the Legislative Instrument applies.

### AUDITOR

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



**Marcus Seow**  
Director  
24 February 2017  
Sydney

For personal use only

**DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF TIAN AN AUSTRALIA LIMITED**

As lead auditor of Tian An Australia Limited for the period ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tian An Australia Limited and the entities it controlled during the period.



**Martin Coyle**  
Partner

**BDO East Coast Partnership**

Sydney, 24 February 2017

For personal use only

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of profit or loss and other comprehensive income  
For the period 1 July 2016 to 31 December 2016

	Note	Consolidated	
		Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
Revenue	4	4,961	30,604
Other income	4	8,474	298
Cost of sales	4	(3,561)	(22,920)
Share of profits of joint venture accounted for using the equity method	9	-	6,089
Finance costs	4	(257)	(2,667)
Employee benefits expense	4	(576)	(1,253)
Non-executive directors' fees		(66)	(223)
Commissions		-	(6)
Legal fees		(35)	(520)
Advertising and marketing		-	(10)
Consultants' fees		(286)	(735)
Rates and taxes		(157)	(370)
Repairs and maintenance		(4)	(12)
Rental expenses		(63)	(119)
Depreciation and amortisation	4	(13)	(992)
Other expenses from continuing operations	4	(370)	(1,298)
Foreign currency loss		-	(2,743)
Fair value movement in derivatives		-	1,668
<b>Profit before income tax</b>		<b>8,047</b>	<b>4,791</b>
Income tax benefit	5	-	-
<b>Profit after tax from continuing operations attributable to members for the period/year</b>		<b>8,047</b>	<b>4,791</b>
<b>Other comprehensive income for the period, net of income tax</b>			
<i>Items that could be reclassified subsequently to profit or loss</i>			
Disposal of available-for-sale financial asset		(8,460)	-
Change in fair value of available-for-sale-financial assets		961	1,488
<b>Total comprehensive income attributable to members for the period/year</b>		<b>548</b>	<b>6,279</b>
		<b>Cents</b>	<b>Cents</b>
Earnings per share	19		
- Basic earnings from continuing operations attributable to members for the period/year		9.29	6.00
- Diluted earnings per share from continuing operations attributable to members for the period/year		9.29	4.94

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of financial position  
As at 31 December 2016

	Note	Consolidated	
		31 December 2016 \$'000	30 June 2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	47,399	22,315
Trade and other receivables	7	2,387	976
Inventories	8	12,089	14,351
Available-for-sale financial asset	10	8,411	28,787
Other assets	12	4,556	8,029
<b>Current Assets</b>		<b>74,842</b>	<b>74,458</b>
Non-current assets classified as held-for-sale	11	1,462	1,462
<b>Total Current Assets</b>		<b>76,304</b>	<b>75,920</b>
<b>Non-Current Assets</b>			
Inventories	8	48,194	48,194
Property, plant and equipment		330	44
Deferred tax assets	5	-	-
<b>Total Non-Current Assets</b>		<b>48,524</b>	<b>48,238</b>
<b>TOTAL ASSETS</b>		<b>124,828</b>	<b>124,158</b>
<b>Current Liabilities</b>			
Trade and other payables	13	929	847
Provisions	15	126	96
<b>Total Current Liabilities</b>		<b>1,055</b>	<b>943</b>
<b>Non-Current Liabilities</b>			
Provisions	15	22	12
Deferred tax liabilities	5	-	-
<b>Total Non-Current Liabilities</b>		<b>22</b>	<b>12</b>
<b>TOTAL LIABILITIES</b>		<b>1,077</b>	<b>955</b>
<b>NET ASSETS</b>		<b>123,751</b>	<b>123,203</b>
<b>EQUITY</b>			
Contributed equity	16	290,149	290,149
Reserves	17	10,075	18,993
Accumulated losses		(176,473)	(185,939)
<b>TOTAL EQUITY</b>		<b>123,751</b>	<b>123,203</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of changes in equity  
For the period 1 July 2016 to 31 December 2016

Consolidated	Contributed equity \$'000	Available-for-sale movement reserve \$'000	Attributable to Shareholders		Total \$'000
			Share-based payment reserve \$'000	Accumulated losses \$'000	
<b>Balance at 1 July 2016</b>	<b>290,149</b>	<b>17,574</b>	<b>1,419</b>	<b>(185,939)</b>	<b>123,203</b>
Profit for the period	-	-	-	8,047	8,047
Other comprehensive income	-	(7,499)	-	-	(7,499)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(7,499)</b>	<b>-</b>	<b>8,047</b>	<b>548</b>
Transfer to accumulated losses	-	-	(1,419)	1,419	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>(1,419)</b>	<b>1,419</b>	<b>-</b>
<b>Balance at 31 December 2016</b>	<b>290,149</b>	<b>10,075</b>	<b>-</b>	<b>(176,473)</b>	<b>123,751</b>
<b>Balance at 1 July 2015</b>	<b>269,626</b>	<b>16,086</b>	<b>1,221</b>	<b>(190,730)</b>	<b>96,203</b>
Profit for the year	-	-	-	4,791	4,791
Other comprehensive income	-	1,488	-	-	1,488
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,488</b>	<b>-</b>	<b>4,791</b>	<b>6,279</b>
Transactions with Shareholders:					
Share-based payments	-	-	198	-	198
Issue of shares	21,652	-	-	-	21,652
Capital raising costs	(1,129)	-	-	-	(1,129)
<b>Total transactions with shareholders</b>	<b>20,523</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>20,721</b>
<b>Balance at 30 June 2016</b>	<b>290,149</b>	<b>17,574</b>	<b>1,419</b>	<b>(185,939)</b>	<b>123,203</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of cash flows  
For the period 1 July 2016 to 31 December 2016

	Note	Consolidated	
		Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,143	13,608
Payments to suppliers and employees (inclusive of GST)		(2,763)	(13,197)
Interest received		407	108
Other income received		-	298
Finance costs including interest and other costs of finance paid		(257)	(4,381)
<b>Net cash flows from / (used in) operating activities</b>	26	<b>530</b>	<b>(3,564)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		-	19
Deposits paid on investments		(8,500)	(7,000)
Payments for available-for-sale financial assets		(82)	(430)
Receipt from available-for-sale financial assets		21,419	42,961
Payments for property, plant and equipment		(83)	(32)
Deferred payments for available-for-sale financial assets		-	(9,000)
Receipts from joint ventures		-	15,089
Proceeds from deposits		11,800	1,596
<b>Net cash flows from investing activities</b>		<b>24,554</b>	<b>43,203</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(45,080)
Proceeds from derivative financial instrument		-	2,763
Proceeds from issue of shares		-	21,652
Transaction costs on issue of shares		-	(1,129)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(21,794)</b>
<b>Net increase in cash and cash equivalents</b>		<b>25,084</b>	17,845
Cash and cash equivalents at the beginning of the financial period/year		22,315	4,470
<b>Cash and cash equivalents at the end of the financial period/year</b>	6	<b>47,399</b>	<b>22,315</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes.



# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

---

### CONTENTS OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	22
2.	FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	32
3.	SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	38
4.	REVENUE AND EXPENSES	39
5.	INCOME TAX	40
6.	CASH AND CASH EQUIVALENTS	42
7.	TRADE AND OTHER RECEIVABLES	42
8.	INVENTORIES	42
9.	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	45
10.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	46
11.	NON-CURRENT ASSETS HELD-FOR-SALE	46
12.	OTHER ASSETS	47
13.	TRADE AND OTHER PAYABLES	47
14.	BORROWINGS	47
15.	PROVISIONS	48
16.	CONTRIBUTED EQUITY	48
17.	RESERVES	49
18.	DIVIDENDS	49
19.	EARNINGS PER SHARE	50
20.	KEY MANAGEMENT PERSONNEL	50
21.	RELATED PARTY DISCLOSURE	51
22.	REMUNERATION OF AUDITORS	53
23.	EXPENDITURE COMMITMENTS	53
24.	CONTINGENCIES	54
25.	SEGMENT INFORMATION	55
26.	NOTES TO CASH FLOW STATEMENT	56
27.	DEED OF CROSS GUARANTEE	56
28.	PARENT ENTITY FINANCIAL INFORMATION	59
29.	EVENTS OCCURRING AFTER THE REPORTING PERIOD	60

**Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

These financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, investment properties classified as held-for-sale and inventories which have been measured at net realisable value. Note 11 details non-current assets classified as held-for-sale and the basis for measurement used.

The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company, and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated, under the option available to the Company under ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The Company is an entity to which this legislative Instrument applies.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The Company is a for-profit entity for the purpose of preparing these financial statements.

***Change of year-end date***

The Company changed its year end date to 31 December. As a result, full consolidated financial statements are prepared as at 31 December 2016. The reporting period covered in this report is six months ended 31 December 2016.

***Parent entity information***

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the Company is disclosed in Note 28.

**(b) New accounting standards and interpretations**

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of the revised Standards and Interpretations has had no material impact on the recognition and measurement criteria and only required minor changes to some of the disclosure within the financial statements.

**(c) Principles of consolidation**

The Group's financial statements comprise the financial statements of the Company and its subsidiaries as at each reporting date.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the Group's financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the Company.

**(d) Segment reporting**

The Group operates one business segment being property development in Australia. The operating segment is reported in a manner consistent with the internal reporting provided to management. Further segment information is reported in Note 25 Segment Information.

**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

**(f) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised and recorded in a separate account when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments for a prolonged period are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

If, 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. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*Land under development and finished apartments*

Both land under development and apartment projects are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, materials, borrowing costs and holding costs incurred during development. Once development is completed, borrowing costs and holding costs are expensed as incurred.

All land under development (including land undergoing the approval process) and apartment projects are regarded as inventory and are classified as such in the statement of financial position. Development projects whereby the Group controls all the risks and benefits of the arrangement and is required to take ownership of any unsold parcels at the end of the project are also classified as land under development. Land and apartments are classified as current only when sales are expected to occur within the next 12 months.

Borrowing costs included in the cost of any land under development and apartment construction projects are those costs that would have been avoided if the expenditure on the acquisition and development of the land, and building of the apartment project, had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as an expense.

**Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Financial assets**

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gains or losses previously reported in the available-for-sale reserve are recognised in profit or loss when the asset is derecognised or impaired.

The fair values of available-for-sale financial assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

*Impairment of financial assets*

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**(i) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value measurement (continued)

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(j) Share-based payments

The Group provides benefits to its Directors and employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of these equity-settled transactions with Directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant Directors and employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at reporting date. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(k) Joint arrangements

*Joint ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture are recognised in profit or loss and the share of the movements in equity are recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Income earned from joint venture entities reduces the carrying amount of the investment.

*Joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Arrangements classified as joint operations are accounted for by the Group recognising its share of jointly held assets, liabilities, revenues and expenses of the joint operation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Joint arrangements (continued)

Unlike the Group's other joint venture investments, its investments in the Burwood and The Milton developments do not qualify for classification as joint venture arrangements accounted for using the equity method because they have different commercial characteristics. These investments have been classified under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement as available-for-sale financial assets.

(l) Property, plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis or by diminishing value over the estimated useful life, being over 3 to 15 years, of the plant and equipment assets.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(m) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, land is held for a currently undetermined future use or there is a change in use evidenced by ending of owner-occupation or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Leases (continued)**

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

**(o) Impairment of non-financial assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**(p) Trade and other payables**

Trade payables and other payables are recognised initially at fair value and subsequently carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(q) Provisions**

Provisions are recognised when the Group has a present or constructive obligation as a result of past events. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the liability.

**(r) Employee leave benefits**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accruing sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(s) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(t) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

*Land development and apartment sales*

Revenue is recognised when the risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer when a sales contract settles.

Revenue arising from the sale of developed land and completed apartments is recognised when a valid sales contract settles whereby title passes to the purchaser.

*Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(u) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance date.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

*Tax consolidated group*

The Company and its wholly-owned Australian controlled entities have formed a tax consolidated group as of 1 July 2003. The Company is the head entity of the tax consolidated group. The controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group, when certain recognition criteria are met.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(v) Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of other receivables or other payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

GST is calculated on revenue arising from the sale of real property under the margin scheme, when applicable.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/ (loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a highly probable sale transaction rather than through development and sale. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of sale.

Non-current assets held-for-sale are not depreciated or amortised. Interest and other expenses attributable to the liabilities of these assets classified as held-for-sale continue to be recognised.

Non-current assets held-for-sale are presented separately from other assets in the statements of financial position and liabilities with respect to non-current assets held-for-sale are presented separately from other liabilities in the statements of financial position.

(y) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

(z) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 31 December 2016. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and relate solely to principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an expected credit loss (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 so the impact of its adoption is yet to be assessed.

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 so the impact of its adoption is yet to be assessed.

*AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors anticipate that the adoption of AASB 16 will not significantly impact the Group's financial statements.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

#### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financing of the Group's operations is supported by both equity and debt financing.

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The Group holds the following financial instruments:

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
Financial assets		
Cash and cash equivalents	47,399	22,315
Trade and other receivables	2,387	976
Deposits	4,556	7,773
Available-for-sale financial assets	8,411	28,787
	<u>62,753</u>	<u>59,851</u>
Financial liabilities		
Trade and other payables	929	847
	<u>929</u>	<u>847</u>

The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main purpose of borrowings is to provide finance for the Group's operations.

Financial risk management is overseen by the Board. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk, foreign exchange risk and price risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

Further details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in Note 1 to the financial statements.

#### Market risk

##### *Cash flow interest rate risk*

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates limit the exposure to this interest rate risk. At the end of the period, the Group's debt facilities were undrawn.

The Group's financing is generally split as follows:

- Short-term project finance; and
- Medium-term borrowings used for the funding of the Group's equity contributions into its development projects and working capital.

Project finance provides the funds necessary for construction and development projects and the bank facilities for these involve fixed and variable interest rates. The funds available may only be used to fund the specific project for which the facility was granted.

Medium-term borrowings used to finance the funding of the Group's equity contributions into its development projects and working capital are managed by borrowing at fixed and variable interest rates. Please refer to Note 14 for the Group's maximum exposure to interest rate risk.

**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

**2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Market risk (continued)**

*Interest rate risk Group sensitivity*

For the period 1 July 2016 to 31 December 2016 if interest rates had changed by +/- 100 basis points (the maximum potential change in management's view from the period-end rates with all other variables held constant), profit/ (loss) for the period would have been \$Nil lower/higher (year ended 30 June 2016: \$116,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings.

The Group has one debt facility available at 31 December 2016. It has an A\$22,000,000 loan facility with AP Finance Limited at a fixed interest rate of 4% p.a. Refer to Note 14 for further details on the Group's borrowings.

**Price Risk**

The Group is not exposed to any significant price risk.

**Credit Risk**

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in a financial loss to the Group. Any inherent credit risk of elements of the Group's financial statements is mitigated by use of the settlement (completed contract) method of revenue recognition.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances if any, are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

The Group's operation focuses on developing and selling lots of land and built-form product. At 31 December 2016 the Group had 54 unconditional contracts of sale outstanding (30 June 2016: 63), awaiting settlement which under the accounting policies referred to in note 1(t) is not recognised until settlement.

Credit risk is managed on a Group basis. The maximum exposure to credit risk at 31 December 2016 is the carrying value of financial assets recorded in the financial statements, net of any allowances for losses.

**Liquidity risk**

Liquidity risk reflects the likelihood of cash generating assets providing insufficient cash flow to fund the Group's operation. The Group's objective is therefore to maintain a balance between continuity of equity funding and the use of bank loans. The Group puts in place sufficient committed credit facilities and monitors actual and forecasted cash flows and matches maturity profiles of financial assets and liabilities, such as receivables and loan facilities.

*Financing arrangements*

The Group had access to the following borrowing facility at the reporting date:

	<b>Consolidated</b>	
	<b>31</b>	<b>30 June</b>
	<b>December</b>	<b>2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Floating rate		
- Expiring within 12 months <sup>1</sup>	-	24,000
Fixed rate		
- Expiring within 24 months <sup>2</sup>	<b>22,000</b>	22,000
<b>Total</b>	<b>22,000</b>	<b>46,000</b>

<sup>1</sup> Facility was cancelled on 26 August 2016

<sup>2</sup> Facility expires on 25 September 2018

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

*Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Refer to Note 14 for more detail on used and unused borrowing facilities and carrying value of assets pledged as security. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated At 31 December 2016	Weighted average interest rate %	Less than 6 months \$'000	6 to 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Bank guarantee facility	-	-	-	256	-	-	256
Facility fee	-	-	5	5	-	-	10
Trade and other payables	-	929	-	-	-	-	929
<b>Total financial liabilities</b>	-	<b>929</b>	<b>5</b>	<b>261</b>	-	-	<b>1,195</b>

Consolidated At 30 June 2016	Weighted average interest rate %	Less than 6 months \$'000	6 to 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Bank guarantee facility	-	-	-	246	-	-	246
Facility fee	-	220	220	110	-	-	550
Trade and other payables	-	847	-	-	-	-	847
<b>Total financial liabilities</b>	-	<b>1,067</b>	<b>220</b>	<b>356</b>	-	-	<b>1,643</b>

**2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Foreign exchange risk**

In the year ended 30 June 2015 the Group entered into a medium-term loan facility denominated in foreign currency and was exposed to foreign exchange risk through possible foreign exchange rate fluctuations.

Foreign exchange risk arises from financial liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Group entered into forward foreign exchange contracts. Management had a risk management policy to hedge a minimum of 75% of anticipated foreign exchange transactions.

The maturity, settlement amounts and the average contracted exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date was \$nil (2016: \$nil)

As the facility was cancelled in August 2016, the Group had no liabilities denominated in foreign currencies as at 31 December 2016 (year ended 30 June 2016: \$nil).

**Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's fair values of financial instruments categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For personal use only

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Fair value measurement (continued)*

Consolidated – 31 December 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Available-for-sale financial assets	-	-	8,411	8,411
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>8,411</b>	<b>8,411</b>
Consolidated – 30 June 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Available-for-sale financial assets	-	-	28,787	28,787
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>28,787</b>	<b>28,787</b>

There were no transfers between levels during the period (year ended 30 June 2016: Nil).



**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

**2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

*Fair value measurement (continued)*

The following table gives information about how the Group's financial instruments held at fair value are determined (in particular, the valuation technique(s) and inputs used).

<b>Financial assets / liabilities</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Range (weighted average)</b>	<b>Sensitivity</b>
Available-for-sale financial assets (refer Note 10).	Level 3.	Discounted cash flow.	A significant unobservable input is the discount rate used in discounting the estimated cash flows to their net present value.	12%.	5% change in this input would change the fair value by \$169,000.
Available-for-sale financial assets (refer Note 10).	Level 3.	Discounted cash flow.	A significant unobservable input is the cash flows used.	Cash inflows of \$8,872,000	10% change in this input would change the fair value by \$887,000.

*Valuation processes for Level 3 fair values*

The management team performs Level 3 valuations for available-for-sale financial assets. The management team reports to the CEO and Audit Committee. Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements. Valuations are reviewed and approved by the Audit Committee. The management team also updates valuation models at least annually in periods when an external valuation is not conducted which are also approved by the Audit Committee. All external valuations are also approved by the Audit Committee.

Movements in Level 3 financial instruments during the period are set out in Note 10.

*Fair value of financial instruments that are not measured at fair value on a recurring basis*

The carrying values of current financial assets and liabilities approximate their fair value at reporting date. The carrying values of current financial assets and liabilities less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature.

The fair value of non-current financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

#### Significant accounting judgements

##### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences when Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences. In a prior year a decision was made by the Directors to de-recognise the net balance of deferred taxes previously reported and not to recognise any tax benefit for brought forward tax losses. See Note 5 for further detail.

#### Significant accounting estimates and assumptions

The Group may assess non-financial assets using net realisable value or fair value methodology.

##### *Net realisable value write-down of inventory*

The net realisable value of inventories is calculated using estimated selling prices in the ordinary course of business less costs to complete, less costs to sell. The key assumptions involve management judgement, and take into account reliable information on hand at the time the estimates are made and where possible, external verification is sought for those variables with a material impact on the outcomes.

##### *Fair value write-down of non-current assets held-for-sale*

The Group assesses fair value of all non-current assets held-for-sale at each reporting date. Fair value reflects the amount which could be exchanged between the Group and knowledgeable willing buyers in the marketplace. In order to determine fair value, the Group engages independent professional valuation firms specialising in the property industry.

As at 31 December 2016, an analysis of net realisable value and fair value of the Group's assets resulted in \$Nil impairment (30 June 2016: \$Nil).

##### *Classification of joint arrangements*

Determining whether a contractual arrangement gives rise to a joint arrangement and determining the type of joint arrangement requires a degree of judgement. In making this judgement, the Group considers whether the contractual agreement provides joint control of an arrangement whereby decisions about the relevant activities require the unanimous consent of the parties sharing control. Furthermore, in determining the type of joint arrangement, consideration is also made as to whether the contractual arrangement provides the Group with the rights to the assets and obligations for the liabilities or just the rights to the net assets of the arrangement.

Once the above criteria have been established, the Group accounts for its joint arrangements in accordance with the accounting policy in Note 1(k).

##### *Fair value measurement hierarchy*

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>4. REVENUE AND EXPENSES</b>		
<b>Revenue</b>		
Sale of goods – land and apartments	4,554	30,496
Finance revenue	407	108
	<u>4,961</u>	<u>30,604</u>
<b>Other income</b>		
Gain on disposal of available-for-sale financial asset	8,460	-
Other income	14	298
	<u>8,474</u>	<u>298</u>
<b>Cost of sales</b>		
Cost of sales	(3,561)	(22,920)
	<u>(3,561)</u>	<u>(22,920)</u>
<b>Finance costs</b>		
Bank accounts and loan interest expenses	(257)	(2,667)
	<u>(257)</u>	<u>(2,667)</u>
<p>During the period the Group incurred borrowing costs of \$257,000 (year ended 30 June 2016: \$2,667,000). Of the costs nothing was capitalised (year ended 30 June 2016: nil).</p>		
<b>Employee benefits expense</b>		
Wages and salaries	(487)	(875)
Superannuation expense	(41)	(74)
Payroll tax expense	6	(51)
Share-based payment expense	-	(198)
Other employee benefits expense	(54)	(55)
	<u>(576)</u>	<u>(1,253)</u>
<b>Depreciation and amortisation</b>		
Plant and equipment	(13)	(992)
	<u>(13)</u>	<u>(992)</u>

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>4. REVENUE AND EXPENSES (CONTINUED)</b>		
<b>Other expenses from continuing operations</b>		
Audit fees	(57)	(101)
Insurance	(49)	(112)
ASX fees	(41)	(56)
Share registry fees	(14)	(50)
Travel	(11)	(84)
Corporate recharge	(23)	(92)
Withholding tax	-	(170)
Bank charges	(1)	(8)
Valuation fees	(24)	(2)
Other	(150)	(623)
	<u>(370)</u>	<u>(1,298)</u>
<b>5. INCOME TAX</b>		
The major components of income tax expense are:		
Current tax	293	2,925
Deferred tax	1,695	1,205
<i>Recoupment of prior year tax losses</i>	<u>(1,988)</u>	<u>(4,130)</u>
	<u>-</u>	<u>-</u>
Accounting profit before tax	8,047	4,791
Income tax at the Group's statutory rate of 30% (30 June 2016: 30%)	2,414	1,437
Income assessable in advance	409	2,640
Non-assessable income	(2,538)	-
Recoupment of prior year tax losses	(293)	(4,130)
Expenditure not allowable for income tax purposes	8	53
	<u>-</u>	<u>-</u>

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

5. INCOME TAX (CONTINUED)

	Consolidated			Balance at 31 December 2016 \$'000
	Balance at 30 June 2016 \$'000	Charged to Income \$'000	Charged to Directly to Equity \$'000	
<b>Recognised deferred tax assets and liabilities</b>				
Non-current				
<b>Consolidated Group</b>				
<b>Deferred tax liabilities</b>				
Fair value gain on available for sale financial assets	5,272	(2,140)	(109)	3,023
Offset deferred tax liabilities against deferred tax assets	<u>(5,272)</u>	<u>2,140</u>	<u>109</u>	<u>(3,023)</u>
<b>Total deferred tax liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred tax assets</b>				
Tax loss carried forward	30,690	1,403	-	32,093
Expenses not deductible until paid	75	12	-	87
Share Transaction costs	309	(80)	-	229
Fair value loss on net realisable value write down	19,134	-	-	19,134
Unrecognised deferred tax assets	(44,936)	(3,475)	(109)	(48,520)
Offset deferred tax liabilities against deferred tax assets	<u>(5,272)</u>	<u>2,140</u>	<u>109</u>	<u>(3,023)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

For personal use only

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	<u>47,399</u>	<u>22,315</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates and the balance in the account. The carrying amount of cash and cash equivalents represents fair value. The above cash at bank and on hand reconciles to the statement of cash flows.

During the period, the weighted average interest rate the Group received for its cash and cash equivalents was 2.25% (year ended 30 June 2016: 0.83%).

### 7. TRADE AND OTHER RECEIVABLES

#### Current

Trade receivables	2,090	577
Other receivables	<u>297</u>	<u>399</u>
	<u>2,387</u>	<u>976</u>

Details regarding the effective interest rate and credit risk of receivables are disclosed in Note 2.

A provision for doubtful debt has been raised for \$203,000 (30 June 2016: \$203,000).

### 8. INVENTORIES

Inventories recognised as expense within cost of sales during the period ended 31 December 2016 amounted to \$3,561,000 (year ended 30 June 2016: \$22,920,000).

#### *Impairment and impairment reversals*

Write-down of inventory to recoverable amount recognised as an expense during the year ended 31 December 2016 amounted to \$nil (year ended 30 June 2016: \$nil).

The Group's inventories, net of impairments, and the balance of impairment provisions for inventories are shown in tables (a) and (b) below respectively.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

8. INVENTORIES (CONTINUED)

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>(a) Inventories net of impairment</b>		
<b>Current</b>		
<i>Finished apartments</i>		
Cost of acquisition	63	63
Development and other costs	9,065	9,065
Capitalised interest	1,087	1,087
Impairment provision	(4,801)	(4,801)
<b>Total</b>	<u>5,414</u>	<u>5,414</u>
 <i>Land under development</i>		
Cost of acquisition	3,311	4,557
Development and other costs	3,364	4,380
<b>Total</b>	<u>6,675</u>	<u>8,937</u>
<b>Total current</b>	<u>12,089</u>	<u>14,351</u>
 <i>Land under development</i>		
Cost of acquisition	97,496	97,496
Development and other costs	8,195	8,195
Capitalised interest	1,480	1,480
Impairment provision	(58,977)	(58,977)
<b>Total</b>	<u>48,194</u>	<u>48,194</u>
<b>Total non-current</b>	<u>48,194</u>	<u>48,194</u>
<b>Total inventories net of impairment</b>	<u>60,283</u>	<u>62,545</u>

For personal use only

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

8. INVENTORIES (CONTINUED)

(b) Inventory impairment provisions

	Finished apartments \$'000	Land under development \$'000	Total \$'000
<b>Six month period ended 31 December 2016</b>			
Current			
Balance as at 1 July 2016	(4,801)	-	(4,801)
Amounts utilised	-	-	-
Additional provision created	-	-	-
<b>Balance at 31 December 2016</b>	<b>(4,801)</b>	<b>-</b>	<b>(4,801)</b>
Non-current			
Balance as at 1 July 2016	-	(58,977)	(58,977)
Amounts utilised	-	-	-
Additional provision created	-	-	-
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>(58,977)</b>	<b>(58,977)</b>
<b>Total balance at 31 December 2016</b>	<b>(4,801)</b>	<b>(58,977)</b>	<b>(63,778)</b>
<b>Year ended 30 June 2016</b>			
Current			
Balance as at 1 July 2015	(7,465)	-	(7,465)
Amounts utilised	2,664	-	2,664
<b>Balance at 30 June 2016</b>	<b>(4,801)</b>	<b>-</b>	<b>(4,801)</b>
Non-current			
Balance as at 1 July 2015	-	(58,977)	(58,977)
Additional provision created	-	-	-
<b>Balance at 30 June 2016</b>	<b>-</b>	<b>(58,977)</b>	<b>(58,977)</b>
<b>Total balance at 30 June 2016</b>	<b>(4,801)</b>	<b>(58,977)</b>	<b>(63,778)</b>

For personal use only



TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In April 2013, the Company invested in the Bridgeview townhouse project in Annandale, New South Wales. The project was realised during the 30 June 2016 financial year, with an end value of \$35,550,000 (inclusive of GST) from the sale of 123 townhouses.

Summarised financial information – Bridgeview, Annandale

	31 December 2016 \$'000	Bridgeview 30 June 2016 \$'000
<i>Summarised statement of financial position</i>		
Current assets	-	-
Non-current assets	-	-
<b>Total assets</b>	<u>-</u>	<u>-</u>
Current liabilities	-	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>-</u>	<u>-</u>

Summarised statement of profit or loss and other comprehensive income

	Six months ended 31 December 2016 \$'000	Bridgeview Year ended 30 June 2016 \$'000
Revenue	-	32,852
Expenses	-	(26,748)
<b>Profit before income tax for the period/year</b>	<u>-</u>	<u>6,104</u>
Income tax expense	-	-
<b>Profit after income tax for the period/year</b>	<u>-</u>	<u>6,104</u>
Other comprehensive income	-	-
<b>Total comprehensive income for the period/year</b>	<u>-</u>	<u>6,104</u>

Reconciliation of the Group's carrying amount

<b>Opening carrying amount</b>	-	9,000
Share of profits from joint venture	-	6,089
Receipts from joint venture	-	(15,089)
<b>Closing carrying amount</b>	<u>-</u>	<u>-</u>

All of the 23 townhouses have been settled with proceeds of \$15,089,000 received on equity and profit to 30 June 2016.

The joint venture did not have any contingent liabilities as at 31 December 2016 or 30 June 2016.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	31 December 2016	30 June 2016
	\$'000	\$'000
<b>Current</b>		
Investment in development projects	<u>8,411</u>	<u>28,787</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the period/year are set out below:		
<b>Opening fair value</b>	<b>28,787</b>	69,830
Additions	<b>82</b>	430
Return of capital	<b>(21,419)</b>	(42,961)
Revaluation increments	<u>961</u>	<u>1,488</u>
<b>Closing fair value</b>	<u><b>8,411</b></u>	<u>28,787</u>

Burwood Square and The Milton are accounted for as available-for-sale financial assets. Burwood Square was completed during the period. The carrying value of The Milton at 31 December 2016 was \$8,411,000 (30 June 2016: \$12,966,000).

Burwood Square and The Milton have been accounted for in accordance with the accounting policy in Note 1(k) using the discounted cash flow analysis method for valuation purposes. For further information on fair value measurement of The Milton, refer Note 2.

11. NON-CURRENT ASSETS HELD- FOR-SALE

(a) Non-current assets classified as held-for-sale

Non-current assets held-for-sale	<u>1,462</u>	<u>1,462</u>
----------------------------------	--------------	--------------

Included in the above asset total for the period ended 31 December 2016 is Lot 370 Country Club Drive at Port Bouvard Residential Estate.

The assets are measured at the lower of their carrying amount and fair value less costs to sell. Refer to Note 1(x) for further information.

(b) Liabilities directly associated with non-current assets classified as held-for-sale

There are no liabilities directly associated with the non-current assets held-for-sale shown above.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

#### 12. OTHER ASSETS

	Consolidated	
	December 2016 \$'000	June 2016 \$'000
<b>Current</b>		
Prepaid expenses	182	256
Deposit for investment	3,500	7,000
Other deposits	874	773
	<u>4,556</u>	<u>8,029</u>

#### 13. TRADE AND OTHER PAYABLES

##### Current

##### *Unsecured*

Trade creditors	479	234
Other creditors and accruals	450	613
	<u>929</u>	<u>847</u>

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms. Details regarding the effective interest rate and credit risk of current payables are disclosed in Note 2.

#### 14. BORROWINGS

##### *Bank loan and overdraft*

In April 2014 the Group entered into a loan agreement with SHK for up to \$40,000,000. The facility was reduced to \$24,000,000 during the year ended 30 June 2016 and subsequently cancelled in August 2016.

In October 2015, the Group entered into a loan facility of \$22,000,000 with AP Finance Limited. The loan facility is unsecured, repayable on 25 September 2018, with an interest rate of 4% p.a. payable quarterly in arrears. AP Finance Limited is an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited. The Company's largest shareholder Oasis Star Limited is a 100% indirectly owned subsidiary of Tian An China Investments Limited, which is 48.66% indirectly held by Allied Properties (H.K.) Limited. The balance of the unused facility funds available to the group at 31 December 2016 was \$22,000,000 (30 June 2016: \$22,000,000).

The Group's bank facilities also include a bank guarantee line of credit (\$350,000 limit). As at 31 December 2016 the bank guarantee line of credit is drawn to \$255,680 (30 June 2016: \$245,629).

##### **Assets pledged as security**

The \$350,000 bank guarantee facility is secured by cash. The \$22,000,000 AP Finance Limited facility is unsecured.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>15. PROVISIONS</b>		
Employee benefit current	126	96
Employee benefit non-current	22	12
	<b>148</b>	<b>108</b>

The total of employee benefits relates to annual leave and long service leave, pursuant to employment contracts of the Group's employees.

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Employee benefit obligations expected to be settled after 12 months	<b>95</b>	<b>65</b>
---	-----------	-----------

**16. CONTRIBUTED EQUITY**

**(a) Movement in ordinary share capital**

During the period there were no shares issued by the Company.

Date	Details	# of shares		Value of shares	
		Movement	Balance	Movement \$'000	Balance \$'000
<b>1 July 2014 and 30 June 2015</b>	<b>Opening balance</b>		<b>6,495,629,181</b>		<b>269,626</b>
23 October 2015	Shares issued	2,165,208,965	8,660,838,146	21,652	291,278
23 October 2015	Transaction costs			(1,129)	290,149
4 April 2016	Share consolidation		86,608,380		290,149
<b>30 June 2016 and 31 December 2016</b>			<b>86,608,380</b>		<b>290,149</b>

On 4 April 2016, the Company consolidated the share capital for a 1 for 100 split.

Fully paid ordinary shares carry one vote per share and carry the right to receive dividends.

**(b) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group considers capital to be a source of funding which will enable it to execute its business model. Due to the nature of the property development industry significant amounts of capital are required before cash inflows are received from sale of finished products. In order to provide for its capital requirements, the Group will use debt and/or equity strategies appropriate at the time and manages its capital requirement on an ongoing basis. The capital risk management policy remains unchanged from the 30 June 2016 financial year.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>17. RESERVES</b>		
Share-based payments reserve:		
<b>Opening balance</b>	1,419	1,221
Share-based payments expense	-	198
Transfer to accumulated losses	<u>(1,419)</u>	-
<b>Closing balance</b>	<u>-</u>	<u>1,419</u>
Available-for-sale reserve:		
<b>Opening balance</b>	17,574	16,086
Gain on disposal of available-for-sale financial asset	(8,460)	-
Change in fair value of available-for-sale financial assets	961	1,488
<b>Closing balance</b>	<u>10,075</u>	<u>17,574</u>

The purpose of the share-based payments reserve is to recognise the fair value of the options issued to employees, and other parties for services rendered.

The purpose of the available-for-sale reserve is to recognise the fair value movement of the financial assets until they are derecognised.

**18. DIVIDENDS**

There were no dividends declared and paid or payable during the period (year ended 30 June 2016: nil) and no dividends have been proposed since the end of the period.

	Company	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>Franking credit balance</b>		
Franking account balance	<u>1,106</u>	<u>1,106</u>

The tax rate at which dividends have been franked is 30% (30 June 2016: 30%).

The above amounts represent the balance of the franking account as at the end of the period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date, if any;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, if any; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, if any.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

#### 19. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
Net profit attributable to Shareholders from continuing operations	<u>8,047</u>	<u>4,791</u>
	# of shares	
Weighted average number of ordinary shares for basic earnings per share	<u>86,608,380</u>	79,786,490
Effect of dilution when profitable	-	<u>17,291,560</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>86,608,380</u>	<u>97,078,050</u>
	Cents	Cents
Basic earnings per share	<u>9.29</u>	<u>6.00</u>
Diluted earnings per share	<u>9.29</u>	<u>4.94</u>

#### 20. KEY MANAGEMENT PERSONNEL

##### Compensation of key management personnel

The key management personnel were identified in the Directors' Report. Details of compensation of the Group's key management personnel are as follows:

	Consolidated	
	Six months ended 31 December 2016 \$	Year ended 30 June 2016 \$
Short-term employee benefits	<u>182,380</u>	339,485
Post-employment benefits	<u>15,701</u>	27,148
Share based payments	-	<u>198,356</u>
	<u>198,081</u>	<u>564,989</u>

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

#### 21. RELATED PARTY DISCLOSURE

##### Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table.

Name of Entity	Country of Registration	Equity Interest		Investment	
		31 December	30 June	31 December	30 June
		2016	2016	2016	2016
		%	%	\$'000	\$'000
CP Development Pty Limited <sup>1</sup>	Australia	100	100	2,162	2,162
Wannunup Development Nominees Pty Limited <sup>1,2</sup>	Australia	100	100	-	-
Point Grey Development Company Pty Limited <sup>1,4</sup>	Australia	100	100	-	-
PBD Estate No 2 Pty Limited <sup>1,3</sup>	Australia	100	100	-	-
PBD Realty Pty Limited <sup>1,3</sup>	Australia	100	100	-	-
Peel Water Pty Limited <sup>1</sup>	Australia	100	100	8,000	8,000
PBD (The Milton) Pty Limited <sup>1,4</sup>	Australia	100	100	-	-
PBD (Yang Land) Pty Limited <sup>1,4</sup>	Australia	100	100	-	-
PBD Funds Management Pty Limited	Australia	100	100	50	50
PBD (Charles St) Pty Limited <sup>1,3</sup>	Australia	100	100	-	-
				10,212	10,212

<sup>1</sup> These controlled entities are not required to prepare audited financial statements

<sup>2</sup> These entities have a cost of investment of \$2, which due to rounding is shown as nil in the above table

<sup>3</sup> These entities have a cost of investment of \$1, which due to rounding is shown as nil in the above table

<sup>4</sup> These entities have a cost of investment of \$100, which due to rounding is shown as nil in the above table

##### Ultimate parent

The Company is the ultimate parent company of the wholly owned Group.

##### Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and the Remuneration Report in the Directors' Report.

21. RELATED PARTY DISCLOSURE (CONTINUED)

**Bridgeview, Annandale**

During April 2013, the Group entered into a joint arrangement to develop 23 townhouses in Annandale, New South Wales. The parties to the joint arrangement are 100% subsidiary company PBD Estate No.2 Pty Limited, BHW Group Pty Limited (BHW) and Dundas Developments Pty Limited (Dundas).

Ben Zheng Lin, son of CEO Jally Lin, is a director and company secretary and shareholder of BHW, which owns 100% of units in the trust which owned the Annandale land.

Jally Lin was appointed CEO of the Company in May 2013, and at the time of the transaction was not an employee of the Group.

Director Marcus Seow was the Group's appointee on the board of Dundas whilst the project was active.

Refer to Note 9 Investments accounted for using the equity method for additional information with respect to Bridgeview, Annandale.

**The Milton, Milton**

During the 2014 financial year, the Group acquired a 50% interest in The Milton development from Aveo Group for \$27,960,000. The relevant contract forms an available-for-sale financial asset. Aveo Group was formerly a shareholder of the Group, but had sold its interest in the Company before the sale of the 50% interest in The Milton to the Group. The Group previously disclosed this transaction in view of the significant shareholdings of Mulpha International Bhd (MIB) in both the Company and Aveo Group.

The parties to the joint arrangement are 100% subsidiary company PBD (The Milton) Pty Limited and FKP Commercial Developments Pty Limited (a wholly owned subsidiary of Aveo Group).

Former Director David Hunt (resigned on 19 June 2015) is a director of FKP Commercial Developments Pty Limited. Former director Winson Chow is an alternate director of Aveo Group.

**SeaSpray, Point Cook**

During the 2014 financial year, the Group acquired a 100% interest in SeaSpray, part of Aveo Group's Saltwater Coast, Point Cook, development for a price of \$18,000,000. Aveo Group was formerly a shareholder of the Group, but had sold its interest in the Company before the sale of the 100% interest in SeaSpray to the Group. The Group previously disclosed this transaction in view of the significant shareholdings of MIB in both the Company and Aveo Group.

The parties to the sale are 100% subsidiary company PBD (Yang Land) Pty Limited (**PBD**) and FKP Residential Developments Pty Limited (**FKP**) (a wholly owned subsidiary of Aveo Group).

Former Director David Hunt (resigned on 19 June 2015) is a director FKP Residential Developments Pty Limited. Former director Winson Chow is an alternate director of Aveo Group.

FKP holds legal title to SeaSpray. Under the development agreement, all settlements are administered by FKP and remitted to PBD. During the period, these settlements (including GST) totalled \$4,735,000 (30 June 2016: \$31,159,000). In addition, developments costs are borne by FKP and FKP invoices PBD in full for these costs. During the period, these additional contributions totalled \$937,000 (30 June 2016: \$6,940,000).

**Mulpha**

During the period, payments for payroll and information technology services totalling \$23,112 (year ended 30 June 2016: \$92,448) were paid to Caldisc Pty Limited. Payments of \$59,698 (year ended 30 June 2016: \$114,968), for office rent were paid to Mulpha Transport House Pty Limited during the period. Both companies are 100% owned subsidiaries of Mulpha.

The ex-chairman, Winson Chow, is an Executive Director and the Chief Operating Officer of Mulpha Australia Limited, which was a 19.9% shareholder of the Company. Winson Chow is also a Director of Caldisc Pty Limited and Mulpha Transport House Pty Limited.

On 17 July 2015, Oasis Star Limited became a substantial shareholder of the Company after acquiring MIB's 19.9% stake.



# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory notes to the consolidated financial statements For the period 1 July 2016 to 31 December 2016

### 21. RELATED PARTY DISCLOSURE (CONTINUED)

#### AP Finance

On 8 October 2015, the Group entered into a new loan facility of \$22,000,000 with AP Finance Limited. The loan is unsecured, repayable on 25 September 2018 with interest of 4% per annum payable quarterly in arrears. AP Finance Limited is an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited. Tian An Australia Limited's largest shareholder Oasis Star Limited is a 100% indirectly owned subsidiary of Tian An China Investments which is 48.66% indirectly held by Allied Properties (H.K.) Limited. Interest and facility fee payments of \$115,000 were made during the period (year ended 30 June 2016: \$764,583).

	Consolidated	
	Six months ended 31 December 2016 \$	Year ended 30 June 2016 \$
<b>22. REMUNERATION OF AUDITORS</b>		
Amounts received or due and receivable by BDO East Coast Partnership for:		
- an audit and review of the financial report	60,500	101,000
- agreed upon procedures	9,500	20,000
- tax compliance and advice	54,520	23,683
	<b>124,520</b>	<b>144,683</b>

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>23. EXPENDITURE COMMITMENTS</b>		
<b>Operating lease commitments</b>		
Future minimum rentals payable under operating leases at 30 June are:		
Within one year	106	103
After one year but not more than five years	178	234
More than five years	-	-
	<b>284</b>	<b>337</b>

The operating lease commitments relate to the lease of the Sydney office.

#### Capital commitments

Committed at the reporting date but not recognised as liabilities or payables.

Investment properties:

The Milton, Milton	30	97
SeaSpray, Point Cook development and other costs	157	3,255
Enfield development	31,500	-
	<b>31,687</b>	<b>3,352</b>

**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

**23. EXPENDITURE COMMITMENTS (CONTINUED)**

The capital commitments in relation to SeaSpray represent the project costs in respect to the staging of the development.

The capital commitment in relation to the Enfield development represents the purchase price due on settlement.

Under the terms of the agreement for The Milton development, the Group is required to make additional capital contributions to the project in the event of funding shortfalls to cover project costs. Any additional capital contributions to the project is determined based on the Group's respective share in the project.

Other than those disclosed above, the Group has considered the requirements of any additional capital contributions to the projects to be remote at the reporting date.

	<b>Consolidated</b>	
	<b>31 December 2016 \$'000</b>	<b>30 June 2016 \$'000</b>
<b>24. CONTINGENCIES</b>		
<b>Contingent liabilities</b>		
The Group has provided guarantees in respect of :		
Wyndham City Council	<b>213</b>	203
City West Water Corporation	<b>43</b>	43
	<b>256</b>	246

The Group has access to a bank guarantee facility from St. George Bank. The facility limit at 31 December 2016 is \$350,000 (30 June 2016: \$250,000) and the unused limit at 31 December 2016 is \$94,320 (30 June 2016: \$4,371).

For expected maturities of these bank guarantees, please refer to Note 2.

**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

**25. SEGMENT INFORMATION**

In accordance with AASB 8 "Operating Segments", the Group has assessed for the period ended 31 December 2016 what information is necessary to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Based upon this assessment, the Audit Committee of the Group determined that it operated one business segment of property development in Australia. Operating results of the property development business segment are regularly reviewed by the Board to make decisions about resource allocation to the business and assess its performance. The Board assess the performance of the operating segment based on net profit/(loss) after income tax.

**(b) Segment information provided to the Board**

	<b>Property Development</b>	
	<b>Six months ended 31 December 2016 \$'000</b>	<b>Year ended 30 June 2016 \$'000</b>
Revenue from external customers	4,554	30,496
Finance revenue	407	108
Total revenue	<u>4,961</u>	<u>30,604</u>
Profit before income tax	8,047	4,791
Income tax expense	-	-
Profit after income tax	<u>8,047</u>	<u>4,791</u>

The following items are included in the net profit after income tax, which is reviewed by the Board:

Depreciation and amortisation	(13)	(992)
Finance costs	(257)	(2,667)
Share of profits of joint venture accounted for using the equity method	-	6,089
Foreign currency loss	-	(2,743)
Fair value movement in derivatives	-	1,668
	<u>(270)</u>	<u>1,355</u>

	<b>Property Development</b>	
	<b>31 December 2016 \$'000</b>	<b>30 June 2016 \$'000</b>
Total segment assets includes:		
Available-for-sale financial assets	8,411	28,787
Total segment assets	124,828	124,158
Total segment liabilities	<u>(1,077)</u>	<u>(955)</u>
	<u>123,751</u>	<u>123,203</u>

**Explanatory notes to the consolidated financial statements**  
**For the period 1 July 2016 to 31 December 2016**

	Consolidated	
	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>26. NOTES TO CASH FLOW STATEMENT</b>		
<b>Reconciliation of net profit to net cash flows from operations</b>		
Profit after income tax expense	8,047	4,791
<b>Adjustments for:</b>		
Depreciation and amortisation	13	992
Share-based payments	-	198
Foreign exchange loss	-	2,743
Share of profit from joint venture	-	(6,089)
Gain on de-recognition of available-for-sale financial asset	(8,460)	-
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in trade and other receivables	(1,411)	944
Decrease in inventories	2,262	16,143
(Increase) / decrease in other assets	(43)	(294)
Increase in derivatives	-	(1,668)
Increase / (decrease) in trade and other payables	82	(21,339)
Increase in provisions	40	15
Net cash from / (used in) operating activities	<b>530</b>	<b>(3,564)</b>

**Disclosure of financing facilities**

Refer to Note 14.

**Non-cash investing and financing activities**

During the year ended 30 June 2016, \$22,000,000 drawdown under the AP Finance Limited financing facility was paid directly to Sun Hung Kai Investment Bank [Brunei] Limited (SHK) as partial settlement of the Group's existing loan facility with SHK.

**27. DEED OF CROSS GUARANTEE**

At 31 December 2016 the following entities within the Group were parties to a deed of cross guarantee (**Deed**):

- Tian An Australia Limited;
- CP Development Pty Limited; and
- Wannunup Development Nominees Pty Limited.

By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under ASIC Corporations (wholly-owned companies) Instrument 2016/785.

As the entities that are parties to the Deed are also represented in the Group there is no separate "Closed Group" for the purposes of the Class Order.

Set out below in (a) is a consolidated statement of profit and loss and other comprehensive income and a summary of movements in consolidated retained earnings for the period ended 31 December 2016 and for the year ended 30 June 2016 for entities that are parties to the Deed at these dates.

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	Six months ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>27. DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>(a) Statement of profit or loss and other comprehensive income</b>		
Sale of goods	655	2,277
<b>Revenue</b>	<b>655</b>	<b>2,277</b>
Other income	8,460	255
Cost of sales	-	(2,334)
Employee benefits expense	(466)	(1,253)
Non-executive Director fees	(66)	(223)
(Impairment) / Write back of intercompany receivables	(12,162)	5,153
Advertising and marketing	-	(8)
Finance costs	(257)	(2,667)
Repairs and maintenance	(4)	(8)
Rental expenses	(63)	(119)
Rates and taxes	(41)	(126)
Depreciation and amortisation	(13)	(12)
Consulting fees	(219)	(673)
Legal fees	(11)	(358)
Derivative	-	1,668
Foreign currency loss	-	(2,743)
<b>Loss before income tax</b>	<b>(4,287)</b>	<b>(1,171)</b>
Income tax expense	-	-
<b>Loss after tax from continuing operations</b>	<b>(4,287)</b>	<b>(1,171)</b>
<b>Total comprehensive income</b>	<b>(4,287)</b>	<b>(1,171)</b>
Accumulated losses at the beginning of the period/year	(182,887)	(181,716)
Transfer from reserves	12,387	-
Loss for the period/year	(4,287)	(1,171)
<b>Accumulated losses at the end of the period/year</b>	<b>(174,787)</b>	<b>(182,887)</b>

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	31 December 2016 \$'000	30 June 2016 \$'000
<b>27. DEED OF CROSS GUARANTEE (CONTINUED)</b>		
Set out below in (b) is a consolidated statement of financial position as at 31 December 2016 and 30 June 2016 for the entities that were parties to the Deed at these dates.		
<b>(b) Statement of financial position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	47,348	17,715
Trade and other receivables	94	78,641
Inventories	5,414	5,414
Available for sale financial asset	61,026	15,821
Other assets	101	7,285
<b>Current Assets</b>	<b>113,983</b>	<b>124,876</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	331	20
Assets classified as held-for-sale	1,462	1,462
Deferred tax assets	-	-
<b>Total Non-Current Assets</b>	<b>1,793</b>	<b>1,482</b>
<b>TOTAL ASSETS</b>	<b>115,766</b>	<b>126,358</b>
<b>Current Liabilities</b>		
Trade and other payables	166	6,501
Provisions	126	96
<b>Total Current Liabilities</b>	<b>292</b>	<b>6,597</b>
<b>Non-Current Liabilities</b>		
Provisions	22	12
<b>Total Non-Current Liabilities</b>	<b>22</b>	<b>12</b>
<b>TOTAL LIABILITIES</b>	<b>314</b>	<b>6,609</b>
<b>NET ASSETS</b>	<b>115,462</b>	<b>119,749</b>
<b>EQUITY</b>		
Contributed equity	290,249	290,249
Reserves	-	12,387
Accumulated losses	(174,787)	(182,887)
<b>TOTAL EQUITY</b>	<b>115,462</b>	<b>119,749</b>

TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Explanatory notes to the consolidated financial statements  
For the period 1 July 2016 to 31 December 2016

	31 December 2016 \$'000	Parent 30 June 2016 \$'000
<b>28. PARENT ENTITY FINANCIAL INFORMATION</b>		
<b>(a) Summary financial information</b>		
<b>Summarised statement of financial position</b>		
Current assets	111,514	84,452
Non-current assets	331	18,158
<b>Total assets</b>	<b>111,845</b>	<b>102,610</b>
Current liabilities	278	96
Non-current liabilities	22	12
<b>Total liabilities</b>	<b>300</b>	<b>108</b>
<b>Net assets</b>	<b>111,545</b>	<b>102,502</b>
<b>Equity</b>		
Contributed equity	290,149	290,149
Share based payment reserve	-	1,419
Available-for-sale reserve	-	7,863
Accumulated losses	(178,604)	(196,929)
<b>Total equity</b>	<b>111,545</b>	<b>102,502</b>
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Profit / (Loss) after income tax for the period/year	16,906	(5,550)
<b>Total comprehensive income for the period/year</b>	<b>16,906</b>	<b>(5,550)</b>

**(b) Guarantees**

The Company has provided no financial guarantees as at 31 December 2016 (30 June 2016: \$nil).

There are cross guarantees given by the Company, CP Development Pty Limited and Wannunup Development Nominees Pty Limited as described in Note 27.

The Company did not have a deficiency in assets as at 31 December 2016 or 30 June 2016. There were deficiencies of assets in CP Development Pty Limited and Wannunup Development Nominees Pty Limited as at 31 December 2016 and 30 June 2016.

With respect to the asset deficiencies of CP Development Pty Limited and Wannunup Development Nominees Pty Limited, the Company recorded nil impairment provisions at 31 December 2016 (30 June 2016: \$nil).

**(c) Contractual commitments for the acquisition of property, plant or equipment**

The Company did not have any contractual commitments for the acquisition of property, plant or equipment at 31 December 2016 or 30 June 2016.

**(d) Significant accounting policies**

The accounting policies of the Company are consistent with those of the Group as disclosed in Note 1.

**29. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No matter or circumstance has arisen since the end of the period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

For personal use only



Directors' Declaration

---

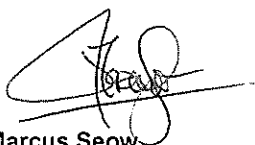
In the Directors' opinion:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
3. the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the period 1 July 2016 to 31 December 2016;
4. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
5. at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 27 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors:



**Marcus Seow**  
Director  
24 February 2017  
Sydney

For personal use only

## INDEPENDENT AUDITOR'S REPORT

To the members of Tian An Australia Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Tian An Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the period ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

For personal use only

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Valuation of inventory - Oceanique apartments*

As at 31 December 2016, the Group held inventory in relation to the Oceanique apartments of \$5,414,000 as disclosed in Note 8. Our focus in relation to this matter was to consider whether this inventory item was carried at the lower of cost and net realisable value as at the reporting date due to the judgement involved in expected future settlement values.

The Group determined that the carrying value remained appropriate given prior settlements of apartments and with consideration to the significant impairments recognised in prior periods. The Group determined that the carrying value remained appropriate given the independent valuation report obtained from a certified valuation expert as at 14 November 2016 which supported the current carrying value.

We obtained and critically analysed the evidence provided by the Group to support the carrying value of the Oceanique apartments. We evaluated the competence and objectivity of the independent expert used by management. We considered the independent expert's valuation report as at 14 November 2016 and critically evaluated the underlying assumptions applied. We also discussed and critically analysed management's assessment of the plans in place to sell the remaining apartments.

### *Valuation of inventory - Point Grey*

As at 31 December 2016, the Group held inventory in relation to the Point Grey land development site of \$48,194,000 as disclosed in Note 8. Our focus in relation to this matter was to consider whether this inventory item was carried at the lower of cost and net realisable value as at the reporting date due to the judgement involved in the expected future settlement value.

The Group determined that the carrying value remained appropriate given the independent valuation report obtained from a certified valuation expert as at 30 June 2016 which supported the current carrying value along with informal offers received from potential interested parties.

We obtained and critically analysed the evidence provided by the Group to support the carrying value of the Point Grey land development site. We evaluated the competence and objectivity of the independent expert used by management. We considered the independent expert's valuation report as at 30 June 2016 and critically evaluated the underlying assumptions applied.

## Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors Report for the period ended 31 December 2016, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Letter from the Chair, Letter from the CEO and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Letter from the Chair, Letter from the CEO and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

## Responsibilities of the directors for the Financial Report

The directors of the Company 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.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the period ended 31 December 2016.

In our opinion, the Remuneration Report of Tian An Australia Limited, for the period ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company 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.

**BDO East Coast Partnership**

BDO  


**Martin Coyle**  
**Partner**

Sydney, 24 February 2017

For personal use only