Tian An Australia Limited

(Comprising **Tian An Australia Limited** ABN 12 009 134 114 and its controlled entities)

Appendix 4D and Financial Report for the half-year ended 30 June 2018

This half-year financial report constitutes the Appendix 4D prepared in accordance with ASX Listing Rules and the *Corporations Act 2001*. This half-year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by Tian An Australia Limited during the intervening period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Tian An Australia Limited

Tian An Australia Limited ABN 12 009 134 114 (**TIA**, **Company** or **Parent**) comprises TIA and its controlled entities (**Group**).

Appendix 4D
for the half-year ended 30 June 2018

(previous corresponding period being the half-year ended 30 June 2017)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$'000	**Up / Down**	**% movement**
Revenue	1,333	Down	(71%)
Loss after tax attributable to Shareholders	(2,804)	Down	NC

NC – Not comparable with previous half-year period.

There were no dividends proposed or declared by TIA to Shareholders since the end of the previous financial year.

Additional information	**30 June 2018**	**30 June 2017**
Net tangible assets (**NTA**) per Share – cents	140	143

Commentary on the results for the period can be found in the attached 30 June 2018 half-year Directors' report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the 30 June 2018 half-year financial report.

Hai-Young Lu
Company Secretary

Sydney
10 August 2018

Tian An Australia Limited
June 2018 Half-Year Financial Report

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GENERAL INFORMATION

The financial statements cover the Group. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

TIA is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 99 Macquarie Street
Sydney NSW 2000

Principal Activities

The principal activity of the Group during the half year 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 in the Mandurah / Peel Region of Western Australia.

A review of the Group's operations is included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 10 August 2018.

The Directors present their report on the Group, consisting of TIA and its controlled entities for the half-year ended 30 June 2018 and the Independent Auditor's Review Report thereon.

DIRECTORS

The Directors of TIA during the half-year and up until the date of this report are as follows:

Director	**Position**	**Period of Directorship**
Arthur Dew	Chair	Full half-year
Mark Wong Tai Chun	Alternate Director to Arthur Dew	Full half-year
Cerena Fu	Non-Executive Director	Full half-year
Marcus Seow	Non-Executive Director	Full half-year

REVIEW AND RESULTS OF OPERATIONS

The Group has continued to realise its existing projects. The Group continues to explore new development opportunities and has recently entered into a joint venture for a project in Pymble. It is also currently obtaining approvals for its Western Australian assets.

During and since the half-year, key events of the Group included:

- Settlement of two commercial and one retail lot at The Milton in Queensland. The three remaining lots have exchanged and are due for settlement in the 2nd half of 2018. TIA has received $35,550,000 to date from the Milton Project.
- 245 out of 247 lots at SeaSpray settled, with the two remaining lots exchanged.
- One apartment at Oceanique exchanged, with a further three available for sale.
- Currently in the process of renewing the marina licence with Western Australian government authorities for Point Grey, TIA's master-planned community in Western Australia.
- Entered into a joint venture with Linfield Developments developing 98 apartments in Pymble, NSW.
- New $20 million financing facility with Oasis Star Limited.

For the half-year ended 30 June 2018, the Group reported a statutory loss after tax of $2,804,000 (2017: $10,000 profit). TIA has not recognised a tax expense on its statutory profit as it will seek to offset its brought forward tax losses against its taxable profit for the 2018 half year.

The underlying loss for the Group was $1,019,000, compared with an underlying profit of $10,000 recorded in the previous corresponding half-year. Key reconciling items between the Group's statutory profit / (loss) and underlying profit / (loss) are:

	For the half year ended	**For the half year ended**
	30 June 2018	**30 June 2017**
Underlying profit / (loss) after tax	(1,019,000)	10,000
Impairment of Oceanique apartments	(185,000)	
Fair value loss on financial asset	(1,600,000)	-
Net profit / (loss) after tax attributable to Shareholders	**(2,804,000)**	**10,000**

In the opinion of the Directors, the Group's underlying loss reflects the results generated from ongoing operating activities. The non-operating adjustments outlined above are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

The Group has potential tax losses that it does not recognise on its balance sheet. The tax losses may be used against any tax liability arising as a result of any future profits, which is dependent on meeting the requirements of tax legislation.

Portfolio Update

Western Australia

Oceanique, Mandurah (**Oceanique**)

There was one exchange during the half year, with settlement due in the 3rd quarter of 2018. There are currently three apartments available for sale.

Point Grey and Peel Water, Point Grey (**Point Grey**)

Management has a Development Application for stage 1. Management is currently seeking an extension to its Western Australian marina permit.

Lot 370, Port Bouvard, Dawesville (**Lot 370**)

Lot 370 currently is available for sale.

Eastern Seaboard

The Milton, Brisbane, Queensland (**The Milton**)

Settlement of The Milton apartments is complete with $35,550,000 in proceeds received to date. Over the past six months management sold the remaining two commercial spaces, and one retail lot. The three remaining retail lots have exchanged, with settlement due in the 2nd half of the year. The investment has been classified in current assets as at 30 June 2018.

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

245 of 247 lots at SeaSpray have settled. Three lots settled in the six months to June 2018. Two lots have been held for council purposes and is expected to be sold in the 2nd half of the year.

Enfield, NSW (**Enfield**)

Enfield settled in July 2017 and management is currently obtaining approvals to redevelop the site into residential accommodation.

Cascade Gardens, Pymble, NSW (**Pymble**)

TIA entered into a joint venture with Linfield Developments in May 2018. The Pymble project is a DA approved site for 98 apartments in Sydney's North Shore. Construction commenced in August 2018.

Short Term Outlook

TIA will focus on identifying residential developments that meet its investment strategy and criteria.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those items disclosed in the review of operations and portfolio update above, there were no significant changes in the state of affairs of the Group during the financial half-year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the half-year and up until the date of this report, which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent periods.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TIA has obtained the Auditor's Independence Declaration, which is set out on page 5.

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.

Signed in accordance with a resolution of the Directors:

Arthur Dew
Chair

Sydney
10 August 2018

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor for the review of Tian An Australia Limited for the half-year ended 30 June 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 10 August 2018

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 30 June 2018

	Group	
	Half year ended 30 June 2018 $'000	Half year ended 30 June 2017 $'000
Revenue		
Sale of goods	1,332	4,475
Other income	1	165
	1,333	**4,640**
Cost of sales	(590)	(2,637)
Gross profit	**743**	**2,003**
Expenses		
Advertising and marketing	(15)	(19)
Employee benefits	(547)	(708)
Non-executive director fees	(66)	(66)
Depreciation and amortisation	(41)	(42)
Finance	(127)	(9)
Rates and taxes	(293)	(330)
Repairs and maintenance	(28)	(58)
Consultants and legal fees	(232)	(433)
Rental	(105)	(62)
Fair value loss on financial asset	(1,600)	-
Impairment loss on inventory	(185)	-
Other	(308)	(266)
Profit / (Loss) from continuing operations before income tax	**(2,804)**	**10**
Income tax	-	-
Profit / (Loss) from continuing operations after income tax for the half-year attributable to the owners of TIA	**(2,804)**	**10**
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Change in fair value of Equity Investments at FVOCI, net of tax	(913)	171
Other comprehensive income for the period, net of tax	(913)	171
Total comprehensive income / (loss) for the half-year attributable to the owners of TIA	**(3,717)**	**181**
Earnings per Share (cents per Share)		
Basic earnings / (loss) per Share	(3.24)	0.01
Diluted earnings / (loss) per Share	(3.24)	0.01

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

	Note	Group 30 June 2018 $'000	Group 31 December 2017 $'000
Current assets			
Cash and cash equivalents		7,641	24,054
Trade and other receivables		126	3,582
Inventories	2	4,024	4,717
Financial assets	7	2,668	6,276
Other assets		827	901
Current assets		**15,286**	**39,530**
Non-current assets held for sale	6	1,462	1,462
Total current assets		**16,748**	**40,992**
Non-current assets			
Inventories	2	86,003	85,583
Financial assets	7	24,511	-
Loans receivable	8	8,164	-
Property, plant and equipment		212	250
Total non-current assets		**118,890**	**85,833**
TOTAL ASSETS		**135,638**	**126,825**
Current liabilities			
Trade and other payables		989	1,472
Borrowings	9	13,000	-
Provisions		130	125
Total current liabilities		**14,119**	**1,597**
Non-current liabilities			
Provisions		45	37
Total non-current liabilities		**45**	**37**
TOTAL LIABILITIES		**14,164**	**1,634**
NET ASSETS		**121,474**	**125,191**
Equity			
Contributed equity	3	290,149	290,149
Reserves		9,369	10,282
Accumulated losses		(178,044)	(175,240)
Total equity		**121,474**	**125,191**

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

Consolidated statement of changes in equity
For the half-year ended 30 June 2018

	Group			
	Contributed equity	**Financial Assets reserve**	**Accumulated losses**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January 2017	290,149	10,075	(176,473)	123,751
Comprehensive income:				
Profit for the period	-	-	10	10
Other comprehensive income	-	171	-	171
Total comprehensive income for the period	-	171	10	181
Balance at 30 June 2017	**290,149**	**10,246**	**(176,463)**	**123,932**
Balance at 1 July 2017	290,149	10,246	(176,463)	123,932
Comprehensive income:				
Profit for the period	-		1,223	1,223
Other comprehensive income	-	36	-	36
Total comprehensive income for the period	-	36	1,223	1,259
Balance at 31 December 2017	**290,149**	**10,282**	**(175,240)**	**125,191**
Balance at 1 January 2018	290,149	10,282	(175,240)	125,191
Comprehensive (loss):				
Loss for the period	-	-	(2,804)	(2,804)
Other comprehensive (loss)	-	(913)	-	(913)
Total comprehensive loss for the period	-	(913)	(2,804)	(3,717)
Balance at 30 June 2018	**290,149**	**9,369**	**(178,044)**	**121,474**

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

Consolidated statement of cash flows
For the half-year ended 30 June 2018

	Group	
	Half year ended 30 June 2018	**Half year ended 30 June 2017**
	$'000	**$'000**
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,557	4,062
Payments to suppliers and employees (inclusive of GST)	(2,592)	(2,680)
Interest received	177	492
Finance costs including interest and other costs of finance paid	(127)	(9)
Other income	-	165
Net cash flows received from operating activities	**2,015**	**2,030**
Cash flows from investing activities		
Payments for property, plant and equipment	(2)	(5)
Payments for financial assets - Pymble	(26,116)	(2)
Receipts from financial assets - Milton	2,700	2,350
Loan advanced to Pymble Project	(8,010)	-
Payment of deposit	-	(2,035)
Net cash flows received from / (used in) investing activities	**(31,428)**	**308**
Cash flows from financing activities		
Proceeds from borrowings	13,000	-
Net cash flows received from financing activities	**13,000**	**-**
Net (decrease) / increase in cash and cash equivalents	(16,413)	2,338
Cash and cash equivalents at the beginning of the period	24,054	47,399
Cash and cash equivalents at the end of the period	**7,641**	**49,737**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Tian An Australia Limited (**TIA**) is domiciled and incorporated in Australia. Its registered office and principal place of business is Level 5, 99 Macquarie Street, Sydney, New South Wales. The financial report of TIA consists of the financial statements of TIA and its controlled entities (**Group**). The financial report is presented in Australian dollars.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements for the half-year do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the period ended 31 December 2017 and any public announcements made by TIA during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, except for the two new accounting standards applied in the six month period ended 30 June 2018 which is presented in note 1(c).

(b) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new application of AASB 15 and AASB 9 during the period. This is discussed in further detail below and in note 7 of the financial statements.

(c) Changes in significant accounting policies

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018. Further information is detailed below. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 18 Revenue, AASB 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has adopted AASB 15 using the cumulative effect method (by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 January 2018). The transition exercise on adopting AASB 15 did not result in an adjustment to the opening balance of equity at 1 January 2018 due to the major component of the Group's revenue encompassing revenue arising from the sale of developed land and completed apartments. Revenue for these activities are recognised when the customers obtain control of these assets at the time of settlement of a sales contract. As this reflects the underlying performance obligation under AASB 15, the application of AASB 15 has not had a material impact on the Group's financial statements. Comparative information has not been restated and continues to be reported under AASB 118.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in significant accounting policies (continued)

(ii) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. As a result, the Group has changed its accounting policy for certain financial instruments as detailed below.

The Group has elected to apply AASB 9 on a retrospective basis, however elected not to restate comparative information. This means AASB 9 is applied retrospectively, however the valuation of impacted financial instruments is reflected in opening equity on the initial application date, as opposed to the previous accounting period. The transition exercise on adopting AASB 9 did not result in an adjustment to the opening balance of equity at 1 January 2018 only the classification of financial assets and their accounting policies have changed as outlined below.

The Milton Project, previously recognised as an Available-For-Sale Financial Asset under AASB 139, at 1 January 2018 on transition to AASB 9, the Group has elected to designate this investment as at Fair Value Through Other Comprehensive Income ('**FVOCI**'). This designation is applied retrospectively. As a result, there have been no changes to the carrying value of The Milton on transition to AASB 9. However, upon de-recognition of the asset, the net gains and losses will not be recycled from reserves to the profit or loss statement.

As the Pymble Project commenced during the half-year to 30 June 2018, there were no restatements required on transition to AASB 9. Similar to the Group's other joint arrangements, the Pymble Project does not qualify for classification as a joint arrangement accounted for using the equity method. As a result, the investment has been classified as a Financial Asset Under AASB 9. As the investment does not meet the definition of an equity instrument or qualify for the recognition as a Debt investment at FVOCI, the investment has been designated as a Financial Asset at Fair Value Through Profit or Loss ('**FVTPL**').

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ('**ECL**') model. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group has adopted a simplified approach for trade receivables on the initial transition date (1 January 2018) with an amount equal to full ECL to be recognised. As the ECL assessment has resulted in an immaterial credit loss, no impairment allowance has been recognised by the Group.

2. 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.

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

All land under development (including land undergoing the approvals process) and apartment construction 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 and construction is interrupted for extended periods are recognised as an expense.

	Group	
	30 June 2018	**31 December 2017**
	$'000	**$'000**
Current		
Finished apartments		
Cost of acquisition	63	63
Development and other costs	9,065	9,065
Interest capitalised	1,087	1,087
Impairment provision	(6,191)	(6,005)
Total	**4,024**	**4,210**
Land under development		
Cost of acquisition	-	246
Development and other costs	-	261
Total	-	**507**
Total current	**4,024**	**4,717**
Non-current		
Land under development		
Cost of acquisition	132,496	132,496
Development and other costs	11,004	10,584
Interest capitalised	1,480	1,480
Impairment provision	(58,977)	(58,977)
Total	**86,003**	**85,583**
Total non-current	**86,003**	**85,583**
Total inventories net of impairment	**90,027**	**90,300**

3. CONTRIBUTED EQUITY

	Group	
	30 June 2018	31 December 2017
	$'000	$'000
Issued capital		
Ordinary share capital	290,149	290,149
Movements in ordinary share capital		
Balance at the beginning of the period	290,149	290,149
Shares issued	-	-
Transactions costs	-	-
Balance at the end of the period	**290,149**	**290,149**

4. DIVIDENDS

There were no dividends proposed or declared by the Group to Shareholders since the end of the previous financial year.

5. SEGMENT INFORMATION

In accordance *AASB 8 Operating Segments*, the Group has assessed for the half-year reporting period ended 30 June 2018 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 in only one business segment, being residential property development in Australia. Operating results of the residential property development business segment are regularly reviewed by the Board to make decisions about resource allocation to that business and assess its performance.

6. CURRENT ASSETS: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	30 June 2018	31 December 2017
	$'000	$'000
Land	1,462	1,462

The above asset is Lot 370 Country Club Drive at Port Bouvard Residential Estate. The asset is measured at the lower of its carrying amount and fair value less costs to sell.

7. FINANCIAL ASSETS MEASURED AT FAIR VALUE

Financial assets represent the Group's investments in The Milton and Cascade Gardens, Pymble, which are classified as Financial Assets.

Financial assets for which fair value are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The financial assets are classified as being in Level 3 of this hierarchy, and are measured at their estimated fair value at the reporting date using discounted cash flow analysis. The inputs to this valuation process were the estimated cash flows resulting from these investments and the discount rate.

Movements for the half-year were:

	FVOCI-equity instruments (The Milton)	FVTPL (Pymble)	TOTAL
30 June 2018	**$'000**	**$'000**	**$'000**
Balance at beginning of period	6,276	-	6,276
Investments in projects	5	26,111	26,116
Change in fair value	(913)	(1,600)	(2,513)
Return from projects	(2,700)	-	(2,700)
Balance at end of period	**2,668**	**24,511**	**27,179**
Current financial assets	2,668	-	2,668
Non-current financial assets	-	24,511	24,511
Balance at end of period	**2,668**	**24,511**	**27,179**

As the Group intends to receive the remaining cash flow from The Milton project within 12 months, the investment balance has been classified in current assets as at 30 June 2018.

7. FINANCIAL ASSETS MEASURED AT FAIR VALUE (continued)

	FVOCI-equity instruments (The Milton)	FVTPL (Pymble)	TOTAL
31 December 2017	**$'000**	**$'000**	**$'000**
Balance at beginning of period	8,411	-	8,411
Investments in projects	8	-	8
Change in fair value	207	-	207
Return from projects	(2,350)	-	(2,350)
Balance at end of period	**6,276**	-	**6,276**
Current financial assets	6,276	-	6,276
Non-current financial assets	-	-	-
Balance at end of period	**6,276**	-	**6,276**

The unobservable inputs were the discount rate used in discounting the estimated cash flows to their net present value and the expected net cash flows from the investments (post return of initial equity contributions). A change in these inputs would change the fair values of the investments as follows:

30 June 2018

	The Milton Other Comprehensive income/loss ($'000)		**Pymble** Profit or loss ($'000)	
	Increase	**Decrease**	**Increase**	**Decrease**
Expected cash flow (10% movement)	267	(267)	2,451	(2,451)
Risk-adjusted discount rate (5% movement)	(11)	11	(1,879)	1,879

8. LOANS RECEIVABLE

	Group 30 June 2018	31 December 2017
	$'000	**$'000**
Loan receivable from Pymble Project	8,164	-
Total	8,164	-

The Group provided an additional loan of $8,010,000 towards LFD Pymble Pty Ltd ('**LFD**') during May 2018 for costs of the land purchased for the Pymble Project. The loan is charged at an interest of 12% per annum until the loan is fully repaid and is secured by a personal guarantee form the sole director of LFD. A total interest charge of $154,000 for the period has been capitalised on the loan balance as at 30 June 2018.

9. BORROWING

	Group	
	30 June 2018	31 December 2017
	$'000	$'000
Loan from parent entity	13,000	-
Total	13,000	-

The Group entered into a $20 million debt facility with Oasis Star Limited on 26 April 2018 with interest of 2.6% per annum, payable monthly in arrears plus the cost of the bank loan facility available to Oasis Star Limited. The balance as at 30 June 2018 represents a drawdown of $12,970,000 as well as a $30,000 facility fee. The loan is unsecured, repayable on 26 April 2019. The Group have received a confirmation that the facility can be extended, if required.

10. EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-year and up until the date of this report, which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent periods.

11. RELATED PARTY TRANSACTIONS

The Group has a loan facility of $22,000,000 with AP Finance Limited. The loan is unsecured, repayable on 30 September 2018 with interest of 4% per annum payable quarterly in arrears. The Group have received a confirmation that the facility can be extended, if required. AP Finance Limited is an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited.

In April 2018 the Group entered into a $20 million loan facility with Oasis Star Limited. The facility expires in April 2019. The Group have received a confirmation that the facility can be extended, if required. Oasis Star Limited is Tian An Australia's largest shareholder, owning 76.7% of its shares. 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.

In May 2018, TIA entered into a joint venture agreement with LFD Pymble Pty Ltd ('**LFD**') to develop 98 apartments in Pymble, NSW. Whilst LFD is not a related party of TIA, the CEO of TIA is a beneficiary under the Trust which holds the land subject to the development project.

In the opinion of the Directors of Tian An Australia Limited:

- the attached Financial Statements and Notes thereto of the Group comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached Financial Statements and Notes thereto of the Group give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Arthur Dew
Chair

Sydney
10 August 2018

BDO

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tian An Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Tian An Australia Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Martin Coyle
Partner

Sydney, 10 August 2018