ANNUAL REPORT 2019

TIAN AN AUSTRALIA

CONTENTS

LETTER FROM THE CHAIRMAN & COO

Dear Shareholders,

FY 2019 was a year Tian An Australia focused on the delivery of its projects, namely Point Grey, Enfield and Cascade Gardens.

Good progress was made at Cascade Gardens with construction work continuing and many apartments exchanging over the course of the year. Sales and enquiry continue to be high in 2020. Construction is due to complete in mid-2020.

In the difficult Western Australian market two apartments settled at Oceanique, with a one apartment now unsold. Management have appointed a local agent to sell the remaining apartment.

Management is currently seeking approvals for its Enfield and Point Grey sites. Management has submitted a development application for the Enfield site to develop townhouses and is currently awaiting the outcome. At Point Grey management will seek development approvals to commence marina early works.

Management continues to focus on ensuring development approvals are in place to deliver our projects in a timely and cost-effective manner. Management will continue to assess new opportunities, with disciplined capital allocation to projects, and ongoing attention to costs and overhead efficiencies, maximising returns to shareholders.

We would like to thank you for your support over the course of the year.

Yours Sincerely

PETER BROWN
CHAIRMAN

HAI YOUNG LU
COO

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **Consolidated Entity**, **TIA**, 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 year ended 31 December 2019 (the **Year**).

DIRECTORS

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

CURRENT

Name	Position
Peter Brown	Chair, Independent Non-Executive Director (from 1 April 2019)
Arthur Dew	Non-Executive Director (Retired as chair on 1 April 2019)
Cerena Fu	Independent Non-Executive Director
Marcus Seow	Independent Non-Executive Director
Peter Curry	Non-Executive Director (from 15 March 2019)
Mark Wong	Alternate Director to Arthur Dew

COMPANY SECRETARY

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

QUALIFICATIONS AND EXPERIENCE

DIRECTORS

Peter Brown B Com LLB

Chair

Mr Peter Brown was appointed as Chair on 1 April 2019. He has in excess of 30 years' experience in property development having been CEO and Managing Director of FKP Property Group (now Aveo Group) and having held senior executive positions in national ASX listed companies including, Thakral Holdings Group Limited, Walker Corporation Limited and Australand Property Group.

Mr Brown's previous director appointments included Port Bouvard Limited (now TIA), Forest Place Group Limited and Chairman of Metlifecare Limited (a company listed on the New Zealand Stock Exchange).

Other current directorships of listed companies

None.

Former directorships of listed companies in last three years

Mr Brown's previous director appointments included Port Bouvard Limited (now TIA), Forest Place Group Limited and Chairman of Metlifecare Limited (a company listed on the New Zealand Stock Exchange).

Arthur Dew LLB

Non-Executive Director

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, Dragon Mining Limited ("Dragon Mining") and Tian An Australia Limited ("Tian An Australia"), a non-executive director of SHK Hong Kong Industries Limited and re-designated as a non-independent chairman and a non-executive director of Tanami Gold NL ("Tanami Gold") in November 2018.

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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 Chartered Governance Institute 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 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.

Former directorships of listed companies

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.

Peter Curry B Com LLB

Non-Executive Director

Mr Peter Curry was appointed to the Board on 15 March 2019. He was an executive director and group CFO of Sun Hung Kai & Co. Limited, a Hong Kong listed financial services and investment company until his retirement in 2018. He remains a non-executive director of that company.

Prior to that, Mr Curry has had a broad range of professional and business experience over 45 years in a range of industries including natural resources, property and financial services. He has acted as a director of a number of private and public companies and has been involved in a range of public and private capital raisings, mergers and acquisitions as well as providing corporate and financial advisory services in relation to a variety of business transactions.

Mr Curry holds Bachelor of Commerce and Bachelor of Laws degrees from the University of NSW. He is a Chartered Accountant and was admitted as a non-practising barrister to the Supreme Court of NSW.

Other current directorships of listed companies

Mr Peter Curry is a non-executive director of Sun Hung Kai & Co. Limited, a Hong Kong listed financial services and investment company.

Former directorships of listed companies in last three years

None.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

CHIEF OPERATING OFFICER & COMPANY SECRETARY

Hai-Young Lu BCom, LLB, GradDipACG
Chief Operating Officer & Company Secretary

Mr. Lu was appointed as Company Secretary on 28 May 2014 and Chief Operating Officer on 1 April 2019. 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 was previously a director of Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd, a mainland Chinese based iron casting corporation.

Mr. Lu is admitted to practice in the Supreme Court of New South Wales and is a member of the Law Society of New South Wales.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the 31 December 2019 year and the number of meetings attended by each Director is as follows:

	Directors' Meetings		Audit Committee Meetings	
Number of meetings attended	A	B	A	B
Peter Brown	3	3	3	3
Arthur Dew	4	4	4	4
Cerena Fu	4	4	4	4
Marcus Seow	4	4	4	4
Peter Curry	3	3	3	3
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 year

CORPORATE INFORMATION

The Company is limited by shares and is incorporated and domiciled in Australia. It is the ultimate Australian parent entity of the Group and has prepared a consolidated financial report incorporating the entities that it controlled during the year ended 31 December 2019. These are detailed in the accompanying notes to the financial statements.

PRINCIPAL ACTIVITIES

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

SUMMARY OF DEVELOPMENTS

Western Australia

Oceanique Apartments, Dawesville ***(Oceanique)***
Two apartments settled in 2019. Management continues to market the remaining one apartment.

Point Grey and Peel Water, Point Grey ***(Point Grey)***
Commonwealth & State Government bilateral environmental approvals for the proposed 300 berth onshore marina and terrestrial development are in place. Management is currently seeking development approval to commence the marina early works, in accordance with the environmental approval, now that the State Government has now granted an extension to the time limit to achieve substantial commencement.

*Lot 370, Port Bouvard, Dawesville (****Lot 370****)*
Lot 370 currently is available for sale.

Eastern Seaboard

Enfield, NSW ***(Enfield)***
The Group has submitted a DA application to develop 71 townhouses on the site.

Cascade Gardens, Pymble, NSW ***(Pymble)***
Construction has commenced at the 93 unit development adjacent to Pymble railway station on Sydney's Upper North Shore. The project construction is due to complete in mid-2020.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 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.

Management is currently obtaining approvals for its Enfield site, with a view to commence construction in 2021.

The Group will also aim to sell its remaining apartment at Oceanique, the Villa site and to commence initial works in respect to Point Grey.

REVIEW OF OPERATIONS

OPERATING PERFORMANCE

For the year ended 31 December 2019 an underlying loss of $2,601,000 was recorded (year ended 31 December 2018: $2,139,000). The Group's statutory loss recorded for the period is $3,672,000 (year ended 31 December 2018: $14,920,000).

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

	Consolidated	
	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Underlying loss before tax	(2,601)	(2,139)
Fair value gain/(loss) on financial asset	6,823	(12,093)
Impairment of Enfield/Oceanique/Lot 370	(7,894)	(688)
Statutory loss attributable to members before tax	**(3,672)**	**(14,920)**
Income tax expense	–	–
Statutory loss attributable to members after tax	**(3,672)**	**(14,920)**

During the period the Group's revenue from continuing operations was $2,921,000 (year ended 31 December 2018: $2,972,000). Settlement of Oceanique apartments were the main drivers of the Group's revenues.

FINANCIAL POSITION

The Group's net assets at 31 December 2019 are $105,567,000 (31 December 2018: $109,239,000). During the year the Group:

- Commenced construction of our 93 apartment project in Pymble.
- Sought approvals at our Enfield site with a view of converting the site into residential apartments.
- Sought approvals to commence works at Point Grey.
- Developed strategies to sell the remaining apartments at Oceanique and Lot 370.
- Extended and increased our loan facility.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Current assets	**4,681**	9,392
Non-current assets	**125,613**	113,771
Total assets	**130,294**	123,163
Current liabilities	**1,678**	13,865
Non-current liabilities	**23,049**	59
Total liabilities	**24,727**	13,924
Net assets	**105,567**	109,239

	Consolidated December 2019	Consolidated December 2018
# of ordinary shares on issue	**86,608,830**	86,608,830
Balance sheet gearing ratio[1]	**16%**	7%

1 Balance sheet gearing ratio = (interest bearing debt – cash)/(total assets – cash)

DIVIDENDS

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

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2019, none of the directors has 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 (KMP)

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

Name	Position
Peter Brown	Chair – Non-Executive (from 1 April 2019)
Arthur Dew	Chair – Non-Executive (retired as chair 1 April 2019)
Cerena Fu	Director – Non-Executive
Marcus Seow	Director – Non-Executive
Peter Curry	Director – Non-Executive
Jally Lin	Chief Executive Officer (resigned 1 April 2019)
Mark Wong	Alternate Director

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year.

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 year 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, were paid $40,000 per annum plus statutory superannuation (except where Directors' fees are paid to a corporation). The Board increased the remuneration of the Chair to $100,000 per annum plus statutory superannuation (except where Directors' fees are paid to a corporation) in April 2019.

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.

No options have been issued to Non-Executive Directors as at 31 December 2019.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year ended 31 December 2019 (Year ended 31 December 2018: nil).

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 years.

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
Revenue	$2.9m	$3.0m	$13.7m	$5.0m	$30.6m
Net profit/(loss) after tax	($3.7m)	($14.9m)	$1.2m	$8.0m	$4.8m
Share price at year end	$0.41	$0.61	$0.80	$0.69	$0.69
# of shares on issue at year end	86.6m	86.6m	86.6m	86.6m	86.6m
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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year, regardless of whether the person was part of KMP for the entire year, are outlined in the tables below:

Year ended 31 December 2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash, salary and fees $	Cash bonus $	Non-cash benefit $	Super-annuation $	Long service leave $	Options $	Total $
Directors							
Peter Brown	75,000	–	–	–	–	–	75,000
Arthur Dew	40,000	–	–	3,800	–	–	43,800
Cerena Fu	40,000	–	–	3,800	–	–	43,800
Marcus Seow	40,000	–	–	3,800	–	–	43,800
Peter Curry	31,720	–	–	3,013	–	–	34,733
Mark Wong	–	–	–	–	–	–	–
Other KMP							
Jally Lin*	103,079	–	3,574	5,133	–	–	111,786
Totals	**329,799**	**–**	**3,574**	**19,546**	**–**	**–**	**352,919**

* resigned 1 April 2019

Year ended 31 December 2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash, salary and fees $	Cash bonus $	Non-cash benefit $	Super-annuation $	Long service leave $	Options $	Total $
Directors							
Arthur Dew	40,000	–	–	3,800	–	–	43,800
Cerena Fu	40,000	–	–	3,800	–	–	43,800
Marcus Seow	40,000	–	–	3,800	–	–	43,800
Mark Wong	–	–	–	–	–	–	–
Other KMP							
Jally Lin	225,251	–	8,553	20,460	7,347	–	261,611
Totals	**345,251**	**–**	**8,553**	**31,860**	**7,347**	**–**	**393,011**

4. SERVICE AGREEMENTS

BOARD REMUNERATION

Non-Executive Chair

Pursuant to a Board resolution dated 1 April 2019 the Chair receives a Director's fee of $100,000 per annum plus statutory superannuation (except where the fee is paid to a corporation). Refer to the table on page 10 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 10 for the names of Non-Executive Directors.

Executive Directors

The Company currently has no Executive Directors.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

KMP

Contracts with KMP are shown in the table below:

Name	Key terms	Base salary including superannuation[1]	Termination benefit
Jally Lin Chief Executive Officer (resigned 1 April 2019)	• Commenced 1 June 2013 • Performance reviews in June and December each year • Statutory leave entitlements • Termination notice year of eight weeks	$246,750 p.a. plus discretionary performance incentives on the basis of predetermined KPIs (yet to be determined) plus car parking costs from February 2018 ($235,000 p.a. pre-February 2018)	–

1 Base salary quoted is current at the date of this report

5. SHARE-BASED COMPENSATION

OPTIONS

In the year ended 31 December 2019 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 2019 (31 December 2018: nil).

SHARES

There were no shares issued as part of compensation during the year (2018: nil).

6. ADDITIONAL INFORMATION

CASH BONUSES

No bonuses were paid in the current year (year ended 31 December 2018: nil).

ADDITIONAL DISCLOSURE RELATING TO KMP

SHAREHOLDINGS

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

	Balance at 31 December 2019	Received as part of remuneration	Additions	Disposals /other	Balance at 31 December 2018
Ordinary shares					
Directors					
Peter Brown	–	–	–	–	–
Arthur Dew	–	–	–	–	–
Cerena Fu	–	–	–	–	–
Marcus Seow	–	–	–	–	–
Peter Curry	–	–	–	–	–
Mark Wong	–	–	–	–	–
KMP					
Jally Lin*	1,167,469	–	–	(1,167,469)	–

* Disposals/other represents the shares held at resignation date, 1 April 2019.

OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

The Company's largest shareholder, owning 76.7% of its shares, Oasis Star Limited is a 100% held subsidiary of Tian An China Investments Limited. Interest and facility fee payments of $942,000 were made in the year (Year ended 31 December 2018: $505,000) to Oasis Star Limited.

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

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 unissued 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 year (Year ended 31 December 2018: nil).

AUDIT & RISK COMMITTEE

The Directors of the Company have formed an Audit & Risk Committee. Audit & Risk Committee members during and subsequent to the year 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.

INDEMNITY AND INSURANCE OF AUDITOR

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

During the year, 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 year 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 year.

MATTERS SUBSEQUENT TO THE END OF THE YEAR

The Group is due to enter into an agreement with its major shareholder, Oasis Star, in relation to recharging of personnel costs. The group will charge its major shareholder periodically for the use of resources at a commercial rate. Other than this matter, there has not been any matter or circumstance that has arisen since the end of the year 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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year 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 year ended 31 December 2019 by the Group:

Service	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Taxation compliance services	**20,551**	13,402
Other agreed upon procedures engagements	**–**	1,350
Total	**20,551**	14,752

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act can be found on page 22.

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

Peter Curry
Director

24 February 2020
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

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Australia

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

As lead auditor of Tian An Australia Limited for the year ended 31 December 2019, 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 financial year.

Martin Coyle
Partner

BDO East Coast Partnership

Sydney, 24 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Year ended 31 December 2019 $'000	Consolidated Year ended 31 December 2018 $'000
Revenue	6	**2,921**	2,972
Other income	6	**86**	54
Cost of sales	6	**(1,742)**	(1,449)
Finance costs	6	**(942)**	(532)
Employee benefits expense	6	**(901)**	(1,162)
Commissions & discounts		**(35)**	(38)
Fair value gain/(loss) on financial asset	11	**6,823**	(12,093)
Impairment of Oceanique/Lot 370/Enfield	10	**(7,894)**	(688)
Non-executive directors' fees		**(241)**	(131)
Legal fees		**(60)**	(77)
Consultants' fees		**(96)**	(180)
Rates and taxes		**(569)**	(621)
Repairs and maintenance		**(105)**	(42)
Rental expenses		**(171)**	(224)
Depreciation and amortisation	6	**(91)**	(83)
Other expenses from continuing operations	6	**(655)**	(626)
Loss before income tax		**(3,672)**	(14,920)
Income tax benefit	7	**–**	–
Loss after tax from continuing operations attributable to members for the year		**(3,672)**	(14,920)
Other comprehensive income for the year, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity investments at FVOCI, net of tax		**–**	(1,032)
Total comprehensive income attributable to members for the year		**(3,672)**	(15,952)
		Cents	Cents
Earnings per share	21		
• Basic earnings/(loss) from continuing operations attributable to members for the year		**(4.24)**	(17.23)
• Diluted earnings/(loss) per share from continuing operations attributable to members for the year		**(4.24)**	(17.23)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Current Assets			
Cash and cash equivalents	8	**1,890**	4,324
Trade and other receivables	9	**80**	62
Inventories	10	**823**	2,733
Other assets	14	**538**	923
Current Assets		**3,331**	8,042
Non-current assets classified as held-for-sale	13	**1,350**	1,350
Total Current Assets		**4,681**	9,392
Non-Current Assets			
Inventories	10	**80,108**	86,282
Loan receivable	12	**16,165**	9,128
Financial asset	11	**29,243**	18,178
Property, plant and equipment		**97**	183
Deferred tax assets	7	**–**	–
Total Non-Current Assets		**125,613**	113,771
TOTAL ASSETS		**130,294**	123,163
Current Liabilities			
Trade and other payables	15	**1,587**	736
Borrowings	16	**–**	13,000
Provisions	17	**91**	129
Total Current Liabilities		**1,678**	13,865
Non-Current Liabilities			
Provisions	17	**49**	59
Borrowings	16	**23,000**	
Deferred tax liabilities	7	**–**	–
Total Non-Current Liabilities		**23,049**	59
TOTAL LIABILITIES		**24,727**	13,924
NET ASSETS		**105,567**	109,239
Equity			
Contributed equity	18	**290,149**	290,149
Reserves	19	**–**	–
Accumulated losses		**(184,582)**	(180,910)
TOTAL EQUITY		**105,567**	109,239

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated	Contributed equity $'000	Financial assets movement reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2019	**290,149**	**–**	**(180,910)**	**109,239**
Loss for the year	–	–	(3,672)	(3,672)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**(3,672)**	**(3,672)**
Balance at 31 December 2019	**290,149**	**–**	**(184,582)**	**105,567**
Balance at 1 January 2018	290,149	10,282	(175,240)	125,191
Loss for the year	–	–	(14,920)	(14,920)
Other comprehensive income	–	(1,032)	–	(1,032)
Total comprehensive income for the year	–	(1,032)	(14,920)	(15,952)
Balance at 31 December 2018	290,149	–	(180,910)	109,239

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,675	5,666
Payments to suppliers and employees (inclusive of GST)		(3,281)	(4,574)
Interest received		23	242
Finance costs including interest and other costs of finance paid		(942)	(532)
Net cash flows (used in)/from operating activities	28	(2,525)	802
Cash flows from investing activities			
Payments for financial assets		(10,435)	(30,276)
Receipts from financial assets		3,500	5,250
Payments for property, plant and equipment		(5)	(16)
Loan repaid from Pymble Project		1,500	–
Loan advanced to Pymble Project		(4,469)	(8,486)
Net cash flows used in investing activities		(9,909)	(33,528)
Cash flows from financing activities			
Proceeds from borrowings		14,000	13,000
Repayment of borrowings		(4,000)	–
Net cash flows from financing activities		10,000	13,000
Net decrease in cash and cash equivalents		(2,434)	(19,730)
Cash and cash equivalents at the beginning of the financial year		4,324	24,054
Cash and cash equivalents at the end of the financial year	8	1,890	4,324

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

Tian An Australia Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report covers the consolidated entity Tian An Australia Limited and its controlled entities (the Consolidated Entity and/or the Group) as at 31 December 2019.

The financial report of the Group for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of Directors on 24 February 2020.

2. STATEMENT OF COMPLIANCE

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The principal accounting policies adopted are consistent with those of the previous financial year, except for the new accounting standard applied in the year ended 31 December 2019 which is presented in note 3(c).

(A) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain financial assets and inventories which have been measured at net realisable value. Note 13 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.

(B) PRINCIPLES OF CONSOLIDATION

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

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 30.

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 year 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.

(C) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The group has adopted AASB 16 Leases from 1 January 2019.

The adoption of this standard replaces the 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.

As the Group is eligible to apply the practical expedients of AASB 16, the application of the standard has not had a material impact on the Group's financial statements.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) GOING CONCERN

The 31 December 2019 financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is notwithstanding that the Group generated a loss from continuing activities of $3,672,000 (2018: $14,920,000) and as at 31 December 2019, the Group had cash reserves of $1,890,000 (2018: $4,324,000), and for the financial year ended 31 December 2019, the Group incurred a net cash outflow from operating and investing activities of $12,434,000 (2018: $32,726,000).

The ability of the company to continue as a going concern is dependent on it receiving the continued financial support from Tian An China Investments Company Limited, the company's ultimate parent entity. The directors believe that such financial support will be received as the company has received a letter of support from Tian An China Investments Company Limited confirming that it will financially support the actual as well as future activities and financial obligations of the company for a period of at least one year from the date of signing of the financial report.

4. 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 and brought forward tax losses when Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences and losses. 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 7 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.

As at 31 December 2019, an analysis of net realisable value and fair value of the Group's inventory resulted in a $7,894,000 impairment (31 December 2018: $576,000). This impairment has been disclosed in the consolidated statement of profit or loss and other comprehensive income.

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.

In the prior period, an analysis of the fair value of the Group's assets held for sale resulted in a $112,000 impairment. This impairment has been disclosed in the consolidated statement of profit or loss and other comprehensive income.

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 11.

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.

5. 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 interest bearing loans (borrowings), cash and short-term deposits, financial assets, trade and other receivables and payables. The Group holds the following financial instruments:

	31 December 2019 $'000	31 December 2018 $'000
Financial assets		
Cash and cash equivalents	**1,890**	4,324
Trade and other receivables	**80**	62
Other assets	**275**	691
Loan receivable	**16,165**	9,128
Financial assets	**29,243**	18,178
	48,653	32,383
Financial liabilities		
Trade and other payables	**1,587**	736
Borrowings	**23,000**	13,000
	24,587	13,736

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 within the relevant notes 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 year, the Group's debt facilities were drawn to $23,000,000 (2018: $13,000,000).

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 currently involve fixed 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 currently managed by borrowing at fixed interest rates. Please refer to Note 16 for the Group's maximum exposure to interest rate risk.

Interest rate risk Group sensitivity

For the year ended 31 December 2019 if interest rates had changed by -/+ 100 basis points (the maximum potential change in management's view from the year-end rates with all other variables held constant), profit/(loss) for the year would have been $182,000 lower/higher (year ended 31 December 2018: $75,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings.

The Group has one debt facility available at 31 December 2019. It has an $26,000,000 loan facility with Oasis Star Limited at an interest rate of approximately 4.17% p.a. Refer to Note 16 for further details on the Group's borrowings.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. Credit risk is managed on a Group basis. The maximum exposure to credit risk at 31 December 2019 is the carrying value of financial assets recorded in the financial statements, net of any allowances for losses.

Any inherent credit risk of the Group's financial statements relating to the sales of inventory is mitigated by the 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.

The Group's operations focus on developing and selling lots of land and built-form product. At 31 December 2019, the Group had no unconditional contracts for sale outstanding (31 December 2018: one), awaiting settlement which under the accounting policies referred to in Note 6 is not recognised until settlement. The Group also had exposure to credit risk through its investment in the Pymble Project. The Group has managed this credit risk through obtaining a secured personal guarantee from the sole director of LFD and holding a fixed floating charge over the land in which the development is situated.

Impairment

At 31 December 2019, the Group had two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory (Note 9); and
- Financial assets carried at amortised cost (Note 12)

Trade receivables for sales of inventory

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a 12 month expected loss allowance for all trade receivables. Trade receivables have a low credit risk characteristic with losses incurred in the last 3 years representing less than 1% of trade receivables and is immaterial.

Financial assets carried at amortised cost

The loan receivable from the Pymble Project is classified as a financial asset carried at amortised cost and is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses and is immaterial. The Group's assessment considered the lack of losses incurred on similar projects and the project structure requires the Group's to recoup its contributions to the project prior to payments of any profit. As a result, the potential loss allowance calculated as at 31 December 2019 was immaterial.

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 borrowings. 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:

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Fixed rate		
• Expiring within 12 months[1]	–	20,000
Fixed rate		
• Expiring within 24 months[1]	**26,000**	–
Total	**26,000**	20,000

1 Facility expires on 30 June 2021.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. Refer to Note 16 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 2019	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
Loan facility	4.17	–	–	23,000	–	–	23,000
Bank guarantee facility	–	–	–	83	–	–	83
Trade and other payables	–	1,587	–	–	–	–	1,587
Total financial Liabilities	**–**	**1,587**	**–**	**23,083**	**–**	**–**	**24,670**

Consolidated At 31 December 2018	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
Loan facility	5.7	13,000	–	–	–	–	13,000
Bank guarantee facility	–	–	–	435	–	–	435
Trade and other payables	–	736	–	–	–	–	736
Total financial Liabilities	**–**	**13,736**	**–**	**435**	**–**	**–**	**14,171**

FOREIGN EXCHANGE RISK

The Group is not exposed to any significant foreign exchange risk.

Fair value measurement

Financial assets represent the Group's investments in Cascade Gardens, Pymble, which is classified as a Financial Asset.

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Movements for the year were:

	FVTPL (Pymble) $'000
Balance at 31 December 2018	18,178
Investments in projects	10,435
Change in fair value	6,823
Return from projects[1]	(6,192)
Balance at 31 December 2019	**29,243**
Current financial assets	–
Non-current financial assets	29,243
Balance at 31 December 2019	**29,243**

1. Represents $3,500,000 returned in cash and $2,690,000 advanced to LFD (refer note 12)

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 investment (post return of initial equity contributions). A change in these inputs would change the fair values of the investment as follows:

31 December 2019	FVTPL Pymble Profit or loss ($'000)	
	Increase	Decrease
Expected cash flow (10% movement)	232	(232)
Risk-adjusted discount rate (5% movement)	(1,062)	1,151

Valuation processes for Level 3 fair values

The management team performs Level 3 valuations for the financial assets. The management team reports to the 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 years 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.

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.

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.

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 year 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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE AND EXPENSES

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Revenue		
Sale of goods – land and apartments	**1,524**	2,088
Finance revenue	**1,397**	884
	2,921	2,972
Other income		
Other income	**86**	54
	86	54
Cost of sales		
Cost of sales	**(1,742)**	(1,449)
	(1,742)	(1,449)
Finance costs		
Bank accounts and loan interest expenses	**(942)**	(532)
	(942)	(532)

During the year the Group incurred borrowing costs of $942,000 (2018: $532,000). Of the costs, nothing was capitalised (2018: nil).

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Employee benefits expense		
Wages and salaries	**(740)**	(973)
Superannuation expense	**(71)**	(92)
Payroll tax expense	**(16)**	(26)
Other employee benefits expense	**(74)**	(71)
	(901)	(1,162)
Depreciation and amortisation		
Plant and equipment	**(91)**	(83)
	(91)	(83)
Other expenses from continuing operations		
Audit fees	**(95)**	(93)
Insurance	**(155)**	(144)
ASX fees	**(36)**	(41)
Share registry fees	**(26)**	(33)
Travel	**(59)**	(66)
Bank charges	**(1)**	(1)
Valuation fees	**(30)**	(19)
Other	**(253)**	(229)
	(655)	(626)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE AND EXPENSES (CONTINUED)

REVENUE AND MEASUREMENT

Land development and apartment sales

The vast majority of the group's revenue relates to the sale of developed land and completed apartments which is recognised upon settlement at which time control of the asset passes to the purchaser. (i.e. 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 year 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.

7. INCOME TAX

The major components of income tax expense are:

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Current tax	–	–
Deferred tax	–	–
Recoupment of prior year tax losses	–	–
	–	–
Accounting profit/(loss) before tax	(3,672)	(14,920)
Income tax/(benefit) at the Group's statutory rate of 30% (30 June 2018: 30%)	(1,102)	(4,476)
Income assessable in equity	–	2,070
Non-assessable/non-deductible items	(1,161)	1,367
Tax losses not brought to account	2,001	1,017
Adjustment to prior year	251	(13)
Expenditure not allowable for income tax purposes	11	35
	–	–

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Breakdown of deferred tax assets and liabilities are:

	Balance at 31 December 2018 $'000	Charged to Income $'000	Charged to Directly to Equity $'000	Balance at 31 December 2019 $'000
Deferred tax assets				
Tax loss carried forward	32,937	2,252	–	**35,189**
Expenses not deductible until paid	71	10	–	**81**
Share transaction costs	149	(80)	–	**69**
Fair value loss on net realisable value write down	23,694	(869)	–	**22,825**
Unrecognised deferred tax assets	(56,851)	(1,313)	–	**(58,164)**
	–	–	–	**–**

RECOGNITION AND MEASUREMENT

Current tax assets and liabilities for the current and prior years 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.

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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7. INCOME TAX (CONTINUED)

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.

8. CASH AND CASH EQUIVALENTS

	31 December 2019 $'000	31 December 2018 $'000
Cash at bank and on hand	**1,890**	4,324

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 year, the weighted average interest rate the Group received for its cash and cash equivalents was 1.32% (Year ended 31 December 2018: 1.57%).

RECOGNITION AND MEASUREMENT

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits 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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9. TRADE AND OTHER RECEIVABLES

	31 December 2019 $'000	31 December 2018 $'000
Current		
Trade receivables	**35**	59
Other receivables	**45**	3
	80	62

Details regarding the effective interest rate and credit risk of receivables are disclosed in Note 5.

No impairment allowance for doubtful debt have been raised for 31 December 2019 (31 December 2018: $nil).

RECOGNITION AND MEASUREMENT

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 in accordance with the expected credit loss ("ECL") model.

The ECL assessment completed by the Group as at 31 December 2019 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2018: $Nil).

10. INVENTORIES

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

	31 December 2019 $'000	31 December 2018 $'000
(a) Inventories net of impairment		
Current		
Finished apartments		
Cost of acquisition	**15**	50
Development and other costs	**2,194**	7,158
Capitalised interest	**263**	859
Impairment provision	**(1,649)**	(5,334)
Total current	**823**	2,733
Non-Current		
Land under development		
Cost of acquisition	**132,496**	132,496
Development and other costs	**12,835**	11,283
Capitalised interest	**1,480**	1,480
Impairment provision	**(66,703)**	(58,977)
Total non-current	**80,108**	86,282
Total inventories net of impairment	**80,931**	89,015

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10. INVENTORIES (CONTINUED)

(b) Inventory impairment provisions

Year ended 31 December 2019	Finished apartments $'000	Land under development $'000	Total amount $'000
Current			
Balance as at 1 January 2019	(5,334)	–	(5,334)
Amounts utilised	3,853	–	3,853
Additional provision created	(168)	–	(168)
Balance at 31 December 2019	(1,649)	–	(1,649)
Non-current			
Balance as at 1 January 2019	–	(58,977)	(58,977)
Additional provision created	–	(7,726)	(7,726)
Balance at 31 December 2019	–	(66,703)	(66,703)
Total balance at 31 December 2019	(1,649)	(66,703)	(68,352)

Year ended 31 December 2018			
Current			
Balance as at 1 January 2018	(6,005)	–	(6,005)
Amounts utilised	1,248	–	1,248
Additional provision created	(577)	–	(577)
Balance at 31 December 2018	(5,334)	–	(5,334)
Non-current			
Balance as at 1 January 2018	–	(58,977)	(58,977)
Additional provision created	–	–	–
Balance at 31 December 2018	–	(58,977)	(58,977)
Total balance at 31 December 2018	(5,334)	(58,977)	(64,311)

Inventories recognised as expense within cost of sales during the year ended 31 December 2019 amounted to $1,742,000 (2018: $1,449,000). Write-down of inventory to recoverable amount recognised as an expense during the year ended 31 December 2019 amounted to $7,894,000 (2018: $576,000).

RECOGNITION AND MEASUREMENT

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. 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 years are recognised as an expense.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE

Financial assets measured at fair value represent the Group's investment in Cascade Gardens, Pymble.

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 year were as follows:

	FVTPL-debt investments (Pymble) $'000
Balance at 31 December 2018	18,178
Investments in projects	10,435
Change in fair value	6,823
Return from projects[1]	(6,192)
Balance at 31 December 2019	**29,243**
Current financial assets	–
Non-current financial assets	29,243
Balance at 31 December 2019	**29,243**

1 Represents $3,500,000 returned in cash and $2,690,000 advanced to LFD (refer note 12)

RECOGNITION AND MEASUREMENT

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) represent equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category.

On disposal of these equity investments, any related balance within the financial assets reserve is recycled directly in equity.

Financial assets at fair value through profit or loss (Pymble Project)

Financial assets at fair value through profit or loss (FVTPL) represents debt investments where the future cash flows do not represent solely payments of principal and interest on the principal amount outstanding. Any gains or losses on these investments measured at FVTPL are recognised in profit or loss in the period in which they arise. Due to the commercial characteristics of the Pymble Project, the investment has been classified as at FVTPL as the investment does not meet the criteria to be recognised at amortised cost or (FVOCI).

For further information about the methods and assumptions used in determining fair value, refer to note 5.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12. LOAN RECEIVABLE MEASURED AT AMORTISED COST

	Group	
	31 December 2019 $'000	31 December 2018 $'000
Loan receivable from Pymble Project	**16,165**	9,128
Total	**16,165**	9,128

The Group provided an additional loan of $4,472,000 advanced in cash, $2,693,000 offset against repayments of capital to the Group to LFD Developments Pty Ltd ('**LFD**') during 2019 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 from the sole director of LFD. A total interest charge of $1,372,000 for the year has been capitalised on the loan balance as at 31 December 2019.

RECOGNITION AND MEASUREMENT

The Group classifies financial assets at amortised cost that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Collectability of financial assets at amortised cost are reviewed on an ongoing basis in accordance with the expected credit loss ("ECL") model. The ECL assessment completed by the Group as at 31 December 2019 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2018: $Nil). For further information about the credit risk on these assets, refer to note 5.

13. NON-CURRENT ASSETS HELD-FOR-SALE

	31 December 2019 $'000	31 December 2018 $'000
Non-current asset held-for-sale	**1,350**	1,350

Included in the above asset total for the year ended 31 December 2019 is Lot 370 Country Club Drive at Port Bouvard Residential Estate. An impairment charge of $Nil was recognised as an expense during the year ended 31 December 2019 (2018: $112,000).

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

RECOGNITION AND MEASUREMENT

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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. OTHER ASSETS

	31 December 2019 $'000	31 December 2018 $'000
Current		
Prepaid expenses	**263**	232
Other deposits	**275**	691
	538	923

15. TRADE AND OTHER PAYABLES

Current		
Unsecured		
Trade creditors	**1,017**	141
Other creditors and accruals	**570**	595
	1,587	736

RECOGNITION AND MEASUREMENT

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.

Trade payables are non-interest bearing, unsecured 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 5.

16. BORROWINGS

	31 December 2019 $'000	31 December 2018 $'000
Current		
Unsecured loan from parent entity	–	13,000
Non-Current		
Unsecured loan from parent entity	**23,000**	–

In April 2018 the Group entered into a $20,000,000 loan facility with Oasis Star Limited. 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. This was subsequently increased to $26,000,000 in August 2019. The balance of the unused facility funds available to the group at 31 December 2019 was $3,000,000 (31 December 2018: $7,000,000).

The facility was originally due to expire in April 2019. However, on 20 December 2019, the Directors obtained a confirmation from Oasis Star Limited to unconditionally extend the availability period and the repayment date of the facility until 30 June 2021. The loan facility with Oasis Star Limited was at an average interest rate of 4.17% p.a.

The Group's bank facilities also include a bank guarantee line of credit of $100,000 (31 December 2018 $610,000). As at 31 December 2019 the bank guarantee line of credit is drawn to $83,000 (31 December 2018: $435,000).

The $100,000 bank guarantee facility is secured by cash. The Oasis Star Limited facility is unsecured.

RECOGNITION AND MEASUREMENT

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17. PROVISIONS

	31 December 2019 $'000	31 December 2018 $'000
Employee benefit current	91	129
Employee benefit non-current	49	59
	140	188

RECOGNITION AND MEASUREMENT

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

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 year. 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.

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 years 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.

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 year 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	60	78

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18. CONTRIBUTED EQUITY

MOVEMENT IN ORDINARY SHARE CAPITAL

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

		# of shares		Value of shares	
Date	Details	Movement	Balance	Movement $'000	Balance $'000
31 December 2018 and 31 December 2019		–	86,608,830	–	290,149

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

RECOGNITION AND MEASUREMENT

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.

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 31 December 2018 financial year.

19. RESERVES

	31 December 2019 $'000	31 December 2018 $'000
Financial assets reserve:		
Opening balance	–	10,282
Transfer to accumulated losses	–	(9,250)
Change in fair value of financial assets	–	(1,032)
Closing balance	–	–

RECOGNITION AND MEASUREMENT

The purpose of the financial assets reserve is to recognise the fair value movement of the financial assets classified as equity investments at FVOCI until they are derecognised.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20. DIVIDENDS

There were no dividends declared and paid or payable during the year (year ended 31 December 2018: nil) and no dividends have been proposed since the end of the year.

	Company	
	31 December 2019 $'000	31 December 2018 $'000
Franking credit balance		
Franking account balance	**1,106**	1,106

The tax rate at which dividends have been franked is 30% (31 December 2018: 30%).

The above amounts represent the balance of the franking account as at the end of the year, 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.

21. EARNINGS PER SHARE

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

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Net loss attributable to Shareholders from continuing operations	**(3,672)**	(14,920)
	# of shares	
Weighted average number of ordinary shares for basic earnings per share	**86,608,830**	86,608,830
Effect of dilution when profitable	**–**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**86,608,830**	86,608,830
	Cents	Cents
Basic loss per share	**(4.24)**	(17.23)
Diluted loss per share	**(4.24)**	(17.23)

RECOGNITION AND MEASUREMENT

Basic loss per share is calculated as net loss 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 loss per share are calculated as net 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;
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares, and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

22. 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:

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Short-term employee benefits	**333,373**	353,804
Post-employment benefits	**19,546**	39,207
Share based payments	**–**	–
	352,919	393,011

23. RELATED PARTY DISCLOSURE

SUBSIDIARIES

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

		Equity Interest		Investment	
Name of Entity	Country of Registration	2019 %	2018 %	2019 $'000	2018 $'000
CP Development Pty Limited[1]	Australia	100	100	2,162	2,162
Wannunup Development Nominees Pty Limited[1,5]	Australia	100	100	–	–
Point Grey Development Company Pty Limited[1,3]	Australia	100	100	–	–
PBD Estate No 2 Pty Limited[1,3,6]	Australia	–	–	–	–
Tian An Real Estate Pty Limited (formerly PBD Realty Pty Ltd)[1,3]	Australia	100	100	–	–
Peel Water Pty Limited[1]	Australia	100	100	8,000	8,000
PBD (The Milton) Pty Limited[1,4]	Australia	100	100	–	–
PBD (Yang Land) Pty Limited[1,4]	Australia	100	100	–	–
Tian An Funds Management Limited (formerly PBD Funds Management Limited)	Australia	100	100	150	150
Tian An Pymble Pty Ltd[1,4]	Australia	100	100	–	–
Tian An Enfield Pty Limited[1,3]	Australia	100	100	–	–
				10,312	10,312

1 These controlled entities are not required to prepare audited financial statements
2 These entities have a cost of investment of $2, which due to rounding is shown as nil in the above table
3 These entities have a cost of investment of $1, which due to rounding is shown as nil in the above table
4 These entities have a cost of investment of $100, which due to rounding is shown as nil in the above table
5 These entities have a cost of investment of $4, which due to rounding is shown as nil in the above table
6 Deregistered on 14 January 2018

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23. RELATED PARTY DISCLOSURE (CONTINUED)

ULTIMATE PARENT

The Company is the ultimate parent company of the wholly owned Australian Group. The wholly owned Australian Group is controlled by Tian An China Investments Company Limited.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 22 and the Remuneration Report in the Directors' Report.

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 Mulpha International Bhd (MIB) in both the Company and Aveo Group.

The parties to the sale were 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 was a director FKP Residential Developments Pty Limited. Former director Winson Chow was an alternate director of Aveo Group.

FKP held legal title to SeaSpray. Under the development agreement, all settlements were administered by FKP and remitted to PBD. All settlements were completed in the prior year resulting in revenue in 2018 of $1,477,000. In addition, developments costs were borne by FKP and FKP invoiced PBD in full for these costs. During the year, these additional contributions totalled $nil (31 December 2018: $69,000).

OASIS STAR

In April 2018 the Group entered into a $20,000,000 loan facility with Oasis Star Limited (subsequently increased to $26,000,000). 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. Interest and facility fee payments of $942,000 were made during the year (year ended 31 December 2018: $505,000) to Oasis Star Limited.

CASCADE GARDENS, PYMBLE

In May 2018, TIA entered into a joint venture agreement with LFD Developments Pty Ltd ('**LFD**') to develop 93 apartments in Pymble, NSW. Whilst LFD is not a related party of TIA, the CEO (prior to his resignation) of TIA is a beneficiary under the Trust which holds the land subject to the development project.

24. REMUNERATION OF AUDITORS

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Amounts received or due and receivable by BDO East Coast Partnership for:		
– an audit and review of the financial report	**102,850**	98,300
– agreed upon procedures	**–**	–
– tax compliance and advice	**20,551**	14,752
	123,401	113,052

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25. EXPENDITURE COMMITMENTS

OPERATING LEASE COMMITMENTS

	31 December 2019 $'000	31 December 2018 $'000
Future minimum rentals payable under operating leases at 31 December are:		
Within one year	**81**	101
After one year but not more than five years	**–**	25
More than five years	**–**	–
	81	126

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:		
Point Grey, WA	**130**	–
SeaSpray, Point Cook development and other costs	**105**	310
Enfield development	**214**	–
Pymble development	**875**	1,476
	1,324	1,786

RECOGNITION AND MEASUREMENT

The capital commitments in relation to SeaSpray represent the project costs in respect to wetland charges and landscaping (previously staging of the development).

The capital commitments in relation to Point Grey represent consulting costs in obtaining DA's for the site.

The capital commitments in relation to the Enfield development represent initial planning costs.

Under the terms of the development agreement for The Pymble 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.

26. CONTINGENCIES

	31 December 2019 $'000	31 December 2018 $'000
Contingent liabilities		
The Group has provided guarantees in respect of:		
Wyndham City Council	**66**	132
City West Water Corporation	**17**	43
Melbourne Water	**–**	260
	83	435

The Group has access to bank guarantee facilities from St. George Bank and National Australia Bank. The facility limit at 31 December 2019 is $100,000 and $nil respectively (31 December 2018: St George $350,000, NAB $260,000) and the unused limit at 31 December 2019 is $17,000 and Nil respectively (31 December 2018: St George $175,000 and Nil respectively).

For expected maturities of these bank guarantees, please refer to Note 5.

CASCADE GARDENS, PYMBLE

The Group has provided a guarantee of $44,130,000 (2018: $Nil) over the financing facility in place within The Cascade Gardens development project. The guarantee provided security in event that the joint venture partner defaulted on its obligations under the financing arrangement. None of this guarantee has been used at 31 December 2019 (2018: $nil).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27. SEGMENT INFORMATION

RECOGNITION AND MEASUREMENT

In accordance with AASB 8 "Operating Segments", the Group has assessed for the year ended 31 December 2019 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 after income tax.

	Property Development	
	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Revenue from external customers	**1,524**	2,088
Finance revenue	**1,397**	884
Total revenue	**2,921**	2,972
Loss before income tax	**(3,672)**	(14,920)
Income tax expense	**–**	–
Loss after income tax	**(3,672)**	(14,920)
The following items are included in the net loss after income tax:		
Depreciation and amortisation	**(91)**	(83)
Finance costs	**(942)**	(532)
	(1,033)	(615)

	31 December 2019 $'000	31 December 2018 $'000
Total segment assets includes:		
Financial asset	**29,243**	18,178
Total segment assets	**130,294**	123,163
Total segment liabilities	**(24,727)**	(13,924)
	105,567	109,239

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28. NOTES TO STATEMENT OF CASH FLOWS

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Reconciliation of net loss to net cash flows from/(used in) operations		
Loss after income tax expense	(3,672)	(14,920)
Adjustments for:		
Depreciation and amortisation	91	83
Impairment of Enfield/Oceanique apartments/Lot370	7,894	688
Fair value (gain)/loss on financial asset	(6,823)	12,093
Interest capitalised to loan receivable	(1,377)	(640)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(18)	3,520
Decrease in inventories	192	708
(Increase)/decrease in other assets	385	(22)
Increase/(decrease) in trade and other payables	851	(734)
(Decrease)/increase in provisions	(48)	26
Net cash flows (used in)/from operating activities	(2,525)	802

DISCLOSURE OF FINANCING FACILITIES

Refer to Note 16.

29. DEED OF CROSS GUARANTEE

At 31 December 2019 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 2017/785.

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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29. DEED OF CROSS GUARANTEE (CONTINUED)

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 year ended 31 December 2019 and Year ended 31 December 2018 for entities that are parties to the Deed at these dates.

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
(A) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Other revenue	1,547	73
Revenue	1,547	73
Other income	129	33
Cost of goods sold	(1,742)	–
Employee benefits expense	(536)	(817)
Non-executive Director fees	(241)	(131)
Impairment/(reversal) of intercompany receivables	–	–
Impairment of Oceanique/Lot 370	(168)	(688)
Finance costs	(33)	(27)
Repairs and maintenance	(18)	(5)
Rental expenses	(134)	(134)
Rates and taxes	(40)	(125)
Depreciation and amortisation	(93)	(83)
Consulting fees	(60)	(75)
Legal fees	(36)	45
Other expenses	(585)	(473)
Loss before income tax	(2,010)	(2,408)
Income tax expense	–	–
Loss after tax from continuing operations	(2,010)	(2,408)
Total comprehensive income	(2,010)	(2,408)
Accumulated losses at the beginning of the year	(196,104)	(193,696)
Transfer from reserves	–	–
Loss for the year	(2,010)	(2,408)
Accumulated losses at the end of the year	(198,114)	(196,104)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019 $'000	31 December 2018 $'000

Set out below in (b) is a consolidated statement of financial position as at 31 December 2019 and 31 December 2018 for the entities that were parties to the Deed at these dates.

(B) STATEMENT OF FINANCIAL POSITION

	31 December 2019 $'000	31 December 2018 $'000
Current Assets		
Cash and cash equivalents	1,735	4,170
Trade and other receivables	58	62
Inventories	823	2,733
Other financial assets	–	–
Intercompany loans	111,130	98,710
Other assets	131	121
Assets classified as held-for-sale	1,350	1,350
Current Assets	115,227	107,146
Non-Current Assets		
Property, plant and equipment	96	184
Deferred tax assets	–	–
Total Non-Current Assets	96	184
TOTAL ASSETS	115,323	107,330
Current Liabilities		
Trade and other payables	148	97
Borrowings	23,000	13,000
Provisions	91	129
Total Current Liabilities	23,239	13,226
Non-Current Liabilities		
Provisions	49	59
Total Non-Current Liabilities	49	59
TOTAL LIABILITIES	23,288	13,285
NET ASSETS	92,035	94,045
EQUITY		
Contributed equity	290,149	290,149
Accumulated losses	(198,114)	(196,104)
TOTAL EQUITY	92,035	94,045

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

30. PARENT ENTITY FINANCIAL INFORMATION

	Parent Entity 31 December 2019 $'000	Parent Entity 31 December 2018 $'000
(A) SUMMARY FINANCIAL INFORMATION		
Summarised statement of financial position		
Current assets	**124,465**	113,946
Non-current assets	**96**	184
Total assets	**124,561**	114,130
Current liabilities	**23,239**	13,227
Non-current liabilities	**49**	59
Total liabilities	**23,288**	13,286
Net assets	**101,273**	100,844
Equity		
Contributed equity	**290,149**	290,149
Accumulated losses	**(188,876)**	(189,305)
Total equity	**101,273**	100,844
Summarised statement of profit or loss and other comprehensive income		
Profit/(Loss) after income tax for the year	**429**	(1,028)
Total comprehensive income/(loss) for the year	**429**	(1,028)

(B) GUARANTEES

The Company has provided no financial guarantees as at 31 December 2019 (31 December 2018: $nil).

There are cross guarantees given by the Company, CP Development Pty Limited and Wannunup Development Nominees Pty Limited as described in Note 29.

The Company did not have a deficiency in assets as at 31 December 2019 or 31 December 2018. There were deficiencies of assets in CP Development Pty Limited and Wannunup Development Nominees Pty Limited as at 31 December 2019 and 31 December 2018.

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 2019 (31 December 2018: $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 2019 or 31 December 2018.

(D) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are consistent with those applied by the Group as disclosed in the respective notes to the financial statements.

31. OTHER ACCOUNTING POLICIES

(A) 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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

(B) 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.

(C) 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.

(D) 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.

32. EVENTS OCCURRING AFTER THE REPORTING YEAR

The Group is due to enter into an agreement with its major shareholder, Oasis Star, in relation to recharging of personnel costs. The group will charge its major shareholder periodically for the use of resources at a commercial rate. Other than this, no matter or circumstance has arisen since the end of the year, 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.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian 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 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 2019 and of its performance for the year then ended;
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 29 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:

Peter Curry
Director

24 February 2020
Sydney

INDEPENDENT AUDITOR'S REPORT

BDO

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

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 2019, 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 year 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 2019 and of its financial performance for the year 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.

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.

BDO

CARRYING VALUE OF INVENTORY

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group recognised inventory of $80,931,000 which primarily consisted of the Point Grey Development Project of $49,345,000 and the Enfield Project of $30,763,000 as disclosed in note 10. The Group classifies property held for development and resale as inventories which are measured at the lower of cost and net realisable value ('NRV'). Due to the judgements applied by Management in assessing NRV which are based on forecast revenues and development costs to support the carrying value of these assets along with the significance of the balance in the Consolidated Statement of Financial Position, we considered this area to be a key audit matter.	Our procedures for assessing whether the Group's inventory had been measured at the lower of cost and NRV included, but were not limited to, the following: • Obtaining and reviewing the most recent external valuation reports and performing the following audit procedures: – Testing the key inputs of the reports by comparing to external, publicly available information. – Obtaining an understanding of any underlying changes in the market price since the most recent external valuation and critically assessing any material impact on the carrying values at the reporting date. – Assessing the competence, capability and objectivity of the external valuation experts which included considering their experience and qualifications. • Obtaining Management's feasibility reports and performing the following audit procedures: – Discussing project feasibility with Management to develop an understanding of the project status including current and anticipated development approvals and Management's expectation of the forecast potential realisable value. – Testing key inputs of the reports to external information including comparing estimated sales prices to comparable sales data and construction cost assumptions applied. • Comparing the estimated NRV of the projects to the carrying value recorded at the year end. • Testing a sample of development expenses incurred during the year to ensure these costs were correctly capitalised into inventory.

CARRYING VALUE OF FINANCIAL ASSETS

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group recognised financial assets of $29,243,000 and $16,165,000 respectively pertaining to the Group's investment in the Cascade Gardens, Pymble Project (the 'Pymble Project') as disclosed in notes 11 and 12. Due to the complexities involved in determining the fair value of the Pymble Project along with the significance of the balance in the Consolidated Statement of Financial Position, we considered this area to be a key audit matter.	In assessing the carrying value of the Pymble Project we undertook, amongst others, the following audit procedures: • Obtained management's discounted cash flow ('DCF') model and performed the following audit procedures: – Assessed the reasonableness of key variables included in the DCF model which included validating these to external, publicly available information and current market practice. – Together with BDO valuation specialists, assessed the reasonableness of the discount rate applied by management. – Performed sensitivity analysis on the key inputs applied to the DCF model to assess the impact minor changes in the assumptions would have on the carrying value.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BDO

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, 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 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 Annual Report to Shareholders, 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_responsibilities/ar1.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 the directors' report under the heading 'Remuneration Report' for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Tian An Australia Limited, for the year ended 31 December 2019, 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

BDO East Coast Partnership

Martin Coyle
Partner

Sydney, 24 February 2020

SHAREHOLDER INFORMATION

The information set out below was prepared as at 25/03/2020

RANGE OF SHAREHOLDERS

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 1,000	1,077	147,661	0.17
1,001 – 5,000	141	384,156	0.44
5,001 – 10,000	24	187,941	0.22
10,001 – 100,000	52	1,224,398	1.41
100,001 – Over	21	84,664,674	97.76
ROUNDING	0	0	0
TOTAL	**1,315**	**86,608,830**	**100.00**

UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $ 500.00 parcel at $ 0.2000 per unit	2,500	1,147	266,905

TOP 20 SHAREHOLDERS

RANK	NAME	UNITS	% UNITS
1.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENTS A/C>	75,914,095	87.65
2.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENT KATONG ASSETS LTD A/C>	1,673,810	1.93
3.	MR LIANG ZHEN LIN	1,167,469	1.35
4.	YUE WANG	1,000,000	1.15
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	953,505	1.10
6.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENT FUTURE RISE INV A/C>	867,929	1.00
7.	MR SHUPING HUANG + MRS HUI WANG	500,000	0.58
8.	SUN HUNG KAI INVESTMENT SERVICES LIMITED <CLIENT A/C>	423,678	0.49
9.	CITICORP NOMINEES PTY LIMITED	267,033	0.31
10.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	224,662	0.26
11.	MR JIAN XIN HUANG	188,400	0.22
12.	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	180,000	0.21
13.	MDM RUIHUA WANG	178,100	0.21
14.	MR PETER SHEN	175,731	0.20
15.	MRS MIN XIAO DAI	164,635	0.19
16.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	158,793	0.18
17.	JAMBER INVESTMENTS PTY LTD <AMBER SCHWARTZ FAMILY A/C>	147,805	0.17
18.	MR PETER HOWELLS	143,623	0.17
19.	MR LIONEL CEDRIC JULIAN LEES + MRS COLLEEN KERRY LEES <LSF A/C>	123,600	0.14
20.	DR ROSS GAWLER	110,000	0.13
TOTAL		**84,839,032**	**97.96**
TOTAL REMAINING HOLDERS BALANCE		**1,769,798**	**2.04**

SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	NUMBER OF SHARES	% OF SHARES HELD
Oasis Star	66,432,267	76.7%

CORPORATE DIRECTORY

ABN 12 009 134 114

DIRECTORS

Peter Brown
Arthur Dew
Cerena Fu
Marcus Seow
Peter Curry

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
Email:	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

National Australia Bank
292 Pitt Street
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.

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