

# **Tian An Australia Limited**

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

## **Appendix 4D and Financial Report for the half-year ended 30 June 2020**

This half-year financial report constitutes the Appendix 4D prepared in accordance with ASX Listing Rules and the *Corporations Act 2001*. This half-year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 31 December 2019 and any public announcements made by Tian An Australia Limited during the intervening period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# Tian An Australia Limited

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

## Appendix 4D

### for the half-year ended 30 June 2020

(previous corresponding period being the half-year ended 30 June 2019)

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

|   | \$'000 | Up / Down | % movement |
|---|--------|-----------|------------|
| Revenue                                       | -      | Down      | NC         |
| Profit after tax attributable to Shareholders | 356    | Up        | NC         |

NC – Not comparable with previous half-year period.

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

| Additional information                      | 30 June 2020 | 30 June 2019 |
|---|--------------|--------------|
| Net tangible assets (NTA) per Share – cents | 122          | 123          |

Commentary on the results for the period can be found in the attached 30 June 2020 half-year Directors' report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the 30 June 2020 half-year financial report.

Hai-Young Lu  
Company Secretary

Sydney  
14 August 2020

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# Tian An Australia Limited

## 30 June 2020 Half-Year Financial Report

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### GENERAL INFORMATION

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

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

Level 5, 99 Macquarie Street  
Sydney NSW 2000

#### **Principal Activities**

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 August 2020.

The Directors present their report on the Group, consisting of TIA and its controlled entities for the half-year ended 30 June 2020 and the Independent Auditor's Review Report thereon.

## DIRECTORS

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

| Director           | Position                                     | Period of Directorship |
|--------------------|--|------------------------|
| Peter Brown        | Chairman, Independent Non-Executive Director | Full half-year         |
| Arthur Dew         | Non-Executive Director                       | Full half-year         |
| Peter Curry        | Non-Executive Director                       | Full half-year         |
| Cerena Fu          | Independent Non-Executive Director           | Full half-year         |
| Marcus Seow        | Independent Non-Executive Director           | Full half-year         |
| Mark Wong Tai Chun | Alternate Director to Arthur Dew             | Full half-year         |

## REVIEW AND RESULTS OF OPERATIONS

The Group recently entered into a joint venture agreement with LFD Auburn Pty Ltd to develop 427 apartments known as Auburn Square in Auburn, NSW. TIA is also obtaining approvals for its Enfield, NSW and Point Grey, WA projects and is in the final stages of construction of its joint venture project at Cascade Gardens, Pymble, NSW.

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

- Entering into a new joint venture agreement to develop 427 apartments for Auburn Square.
- Approaching completion of construction at Cascade Gardens, Pymble.
- Extension and increase of our financing facility with Oasis Star Limited to 1 June 2022 and increased facility limited to \$92 million.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. Whilst the COVID-19 pandemic has caused large scale disruption and adverse economic conditions, TIA's operations to date were largely unaffected by the lockdown measures in Australia and management have successfully implemented its business continuity plans. Construction at the Cascade Gardens, Pymble site has continued and is expected to be completed by the end of August 2020 with settlements expected to occur shortly after. All other projects are currently completed or in a planning phase.

Whilst TIA has experienced minimal impact to date, the Directors and Management are continuing to evaluate the unpredictability of the COVID-19 situation and the potential future impact on asset values due to possible reductions in demand for residential accommodation over the short to medium term. Notwithstanding the current circumstances, management has improved the Company's liquidity by increasing its loan facility to \$92 million and extended the repayment date to 1 June 2022. TIA also has the continuing financial support from Tian An China Investments Company Limited, the company's ultimate parent entity.

For the half-year ended 30 June 2020, the Group reported a statutory profit after tax of \$356,000 (2019: loss of \$2,651,000).

The underlying loss for the Group was \$968,000, compared with an underlying loss of \$1,439,000 recorded in the previous corresponding half-year. Key reconciling items between the Group's statutory profit / (loss) and underlying profit / (loss) are:

|   | For the half year ended<br>30 June 2020<br>\$ | For the half year ended<br>30 June 2019<br>\$ |
|---|---|---|
| <b>Net profit / (loss) after tax attributable to Shareholders</b> | <b>356,000</b>                                | <b>(2,651,000)</b>                            |
| Impairment of inventory   | -   | 7,892,000                                     |
| Fair value gain on financial assets                               | (1,324,000)                                   | (6,680,000)                                   |
| Underlying (loss) after tax <sup>1</sup>                          | (968,000)                                     | (1,439,000)                                   |

<sup>1</sup> Underlying (loss) after tax is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group's operations. In the opinion of the Directors, the Group's underlying loss reflects the results generated from ongoing operating activities. The non-operating adjustments outlined above are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result. The non-IFRS financial information is unaudited. However, the numbers have been extracted from the half-year financial statements which have been subject to review by the Company's auditor.

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

#### **Portfolio Update**

##### *Western Australia*

##### Oceanique, Mandurah (Oceanique)

There is currently one apartment available for sale.

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

Management are currently preparing an Activity Centre Plan (ACP) for the marina precinct which is required prior to lodging a development application for the marina construction.

The ACP will be lodged in August 2020 and is expected to take 12 months to obtain approval from council.

A sub-division approval for stage 1 residential was in place but lapsed in November 2019.

Shire of Murray has passed a motion to amend the planning scheme by way of removing the marina as a permissible development. They have also proposed to revoke the Outline Development Plan (ODP) that was approved in 2011. Management are engaging with the appropriate government stakeholders in order to prevent this as well as enhancing the public relations effort in order to control the narrative and increase support from the local community.

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

Lot 370 currently is available for sale.

##### *Eastern Seaboard*

##### Enfield, NSW (Enfield)

A development application for a 71 lot townhouse development was lodged with council in January 2020 and is currently under review. A request for information (RFI) was received on 02 May 2020 and a detailed response was submitted on 16 July 2020. The development approval is anticipated by October 2020 with a sales launch in Q1 2021.

##### Cascade Gardens, Pymble, NSW (Pymble)

Construction is nearing completion on the 93 apartment site in Sydney's North Shore. Pre-sales are at 42% (39 of 93) and are expected to pick up once the building has been completed. Construction is forecast to complete by the end of August 2020 with settlements commencing in September / October 2020.

##### Auburn Square, Auburn NSW

Tian An entered into a Joint Venture Agreement on 01 Jun 2020 for the delivery of 427 units at Auburn, namely Auburn Square.

#### **Short Term Outlook**

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

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

#### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

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

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

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

**ROUNDING**

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

Signed in accordance with a resolution of the Directors:



**Peter Brown**  
Chairman  
Sydney  
14 August 2020

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

As lead auditor for the review of Tian An Australia Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Martin Coyle  
Director

**BDO Audit Pty Ltd**

Sydney, 14 August 2020

|  | Note | Group                                     |   |
|--|------|---|---|
|  |      | Half year ended<br>30 June 2020<br>\$'000 | Half year ended<br>30 June 2019<br>\$'000 |
| <b>Revenue</b>   |      |   |   |
| Sale of goods  |      | -   | 1,524                                     |
|  |      | -   | 1,524                                     |
| Cost of sales  |      | -   | (1,777)                                   |
| <b>Gross profit / (loss)</b>   |      | -   | <b>(253)</b>                              |
| Other income   |      | 473                                       | 33  |
| Advertising and marketing  |      | (5)                                       | (8)                                       |
| Employee benefits  |      | (421)                                     | (478)                                     |
| Non-executive director fees  |      | (138)                                     | (104)                                     |
| Depreciation and amortisation  |      | (42)                                      | (45)                                      |
| Rates and taxes  |      | (335)                                     | (251)                                     |
| Repairs and maintenance  |      | (25)                                      | (39)                                      |
| Consultants and legal fees   |      | (185)                                     | (72)                                      |
| Rental   |      | (107)                                     | (68)                                      |
| Fair value gain on financial assets  | 7    | 1,324                                     | 6,680                                     |
| Impairment loss on inventory   | 2    | -   | (7,892)                                   |
| Other  |      | (363)                                     | (297)                                     |
| <b>Operating profit / (loss)</b>   |      | <b>176</b>                                | <b>(2,794)</b>                            |
| Finance income   |      | 860                                       | 591                                       |
| Finance costs  |      | (680)                                     | (447)                                     |
| <b>Finance income net</b>  |      | <b>180</b>                                | <b>144</b>                                |
| <b>Profit/(Loss) from continuing operations before income tax</b>  |      | <b>356</b>                                | <b>(2,651)</b>                            |
| Income tax   |      | -   | -   |
| <b>Profit/(Loss) from continuing operations after income tax for the half-year attributable to the owners of TIA</b> |      | <b>356</b>                                | <b>(2,651)</b>                            |
| <b>Other comprehensive income/(loss)</b>   |      |   |   |
| Other comprehensive income for the period, net of tax  |      | -   | -   |
| <b>Total comprehensive income/(loss) for the half-year attributable to the owners of TIA</b>                         |      | <b>356</b>                                | <b>(2,651)</b>                            |
| <b>Earnings per Share (cents per Share)</b>  |      |   |   |
| Basic earnings/(loss) per Share  |      | 0.41                                      | (3.06)                                    |
| Diluted earnings/(loss) per Share  |      | 0.41                                      | (3.06)                                    |

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

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|   | Note | Group                  |                            |
|---|------|------------------------|----------------------------|
|   |      | 30 June 2020<br>\$'000 | 31 December 2019<br>\$'000 |
| <b>Current assets</b>                                 |      |                        |                            |
| Cash and cash equivalents                             |      | 684                    | 1,890                      |
| Trade and other receivables                           |      | 330                    | 80                         |
| Inventories   | 2    | 2,173                  | 823                        |
| Financial assets at fair value through profit or loss | 7    | 27,299                 | -                          |
| Other assets  |      | 484                    | 538                        |
| <b>Current assets</b>                                 |      | <b>30,970</b>          | <b>3,331</b>               |
| Non-current assets held for sale                      | 6    | -                      | 1,350                      |
| <b>Total current assets</b>                           |      | <b>30,970</b>          | <b>4,681</b>               |
| <b>Non-current assets</b>                             |      |                        |                            |
| Inventories   | 2    | 81,154                 | 80,108                     |
| Financial assets at fair value through profit or loss | 7    | 49,692                 | 29,243                     |
| Other financial assets at amortised cost              | 8    | 17,351                 | 16,165                     |
| Property, plant and equipment                         |      | 56                     | 97                         |
| <b>Total non-current assets</b>                       |      | <b>148,253</b>         | <b>125,613</b>             |
| <b>TOTAL ASSETS</b>                                   |      | <b>179,223</b>         | <b>130,294</b>             |
| <b>Current liabilities</b>                            |      |                        |                            |
| Trade and other payables                              |      | 482                    | 1,587                      |
| Provisions  |      | 108                    | 91                         |
| <b>Total current liabilities</b>                      |      | <b>590</b>             | <b>1,678</b>               |
| <b>Non-current liabilities</b>                        |      |                        |                            |
| Borrowings  | 9    | 72,657                 | 23,000                     |
| Provisions  |      | 53                     | 49                         |
| <b>Total non-current liabilities</b>                  |      | <b>72,710</b>          | <b>23,049</b>              |
| <b>TOTAL LIABILITIES</b>                              |      | <b>73,300</b>          | <b>24,727</b>              |
| <b>NET ASSETS</b>                                     |      | <b>105,923</b>         | <b>105,567</b>             |
| <b>Equity</b>   |      |                        |                            |
| Contributed equity                                    | 3    | 290,149                | 290,149                    |
| Reserves  |      | -                      | -                          |
| Accumulated losses                                    |      | (184,226)              | (184,582)                  |
| <b>Total equity</b>                                   |      | <b>105,923</b>         | <b>105,567</b>             |

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

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|  | Group                 |                                |                       |                |
|--|-----------------------|--------------------------------|-----------------------|----------------|
|  | Contributed<br>equity | Financial<br>Assets<br>reserve | Accumulated<br>losses | Total          |
|  | \$'000                | \$'000                         | \$'000                | \$'000         |
| <b>Balance at 1 January 2019</b>                 | 290,149               | -                              | (180,910)             | 109,239        |
| <i>Comprehensive (loss):</i>                     |                       |                                |                       |                |
| Loss for the period                              | -                     | -                              | (2,651)               | (2,651)        |
| <b>Total comprehensive loss for the period</b>   | -                     | -                              | (2,651)               | (2,651)        |
| <b>Balance at 30 June 2019</b>                   | <b>290,149</b>        | -                              | <b>(183,561)</b>      | <b>106,588</b> |
| <b>Balance at 1 July 2019</b>                    | 290,149               | -                              | (183,561)             | 106,588        |
| <i>Comprehensive (loss):</i>                     |                       |                                |                       |                |
| Loss for the period                              | -                     | -                              | (1,021)               | (1,021)        |
| <b>Balance at 31 December 2019</b>               | <b>290,149</b>        | -                              | <b>(184,582)</b>      | <b>105,567</b> |
| <b>Balance at 1 January 2020</b>                 | 290,149               | -                              | (184,582)             | 105,567        |
| <i>Comprehensive Profit:</i>                     |                       |                                |                       |                |
| Profit for the period                            | -                     | -                              | 356                   | 356            |
| <b>Total comprehensive profit for the period</b> | -                     | -                              | 356                   | 356            |
| <b>Balance at 30 June 2020</b>                   | <b>290,149</b>        | -                              | <b>(184,226)</b>      | <b>105,923</b> |

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

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|  | Note | Group  |  |
|--|------|--|--|
|  |      | Half year ended<br>30 June<br>2020<br>\$'000 | Half year ended<br>30 June<br>2019<br>\$'000 |
| <b>Cash flows from operating activities</b>                      |      |  |  |
| Receipts from customers (inclusive of GST)                       |      | -  | 1,518  |
| Payments to suppliers and employees (inclusive of GST)           |      | (3,652)                                      | (1,488)                                      |
| Interest received  |      | 3  | 17   |
| Finance costs including interest and other costs of finance paid |      | (680)  | (447)  |
| Other income   |      | 223  | 33   |
| <b>Net cash (outflows) from operating activities</b>             |      | <b>(4,106)</b>                               | <b>(367)</b>                                 |
| <b>Cash flows from investing activities</b>                      |      |  |  |
| Payments for property, plant and equipment                       |      | (4)  | (5)  |
| Payments for financial assets - Pymble                           |      | (767)  | (7,030)                                      |
| Payments for financial assets - Auburn                           | 9    | (4,000)                                      | -  |
| Payment for financial assets at amortised cost - Pymble          |      | (329)  | (3,011)                                      |
| <b>Net cash flows (used in) investing activities</b>             |      | <b>(5,100)</b>                               | <b>(10,046)</b>                              |
| <b>Cash flows from financing activities</b>                      |      |  |  |
| Proceeds from borrowings   | 9    | 8,000  | 7,000  |
| <b>Net cash flows from financing activities</b>                  |      | <b>8,000</b>                                 | <b>7,000</b>                                 |
| Net (decrease) in cash and cash equivalents                      |      | (1,206)                                      | (3,413)                                      |
| Cash and cash equivalents at the beginning of the period         |      | 1,890  | 4,324  |
| <b>Cash and cash equivalents at the end of the period</b>        |      | <b>684</b>                                   | <b>911</b>                                   |

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

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### (a) Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements for the half-year do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the period ended 31 December 2019 and any public announcements made by TIA during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, unless otherwise stated.

### (b) Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, unless otherwise stated.

### (c) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

### (d) Going concern

For the half year ended 30 June 2020, the Group incurred a net cash outflow from operating activities of \$4,106,000 (2019: \$367,000), and as at 30 June 2020, the Group had cash reserves of \$684,000 (2019: \$1,890,000). The directors have prepared the half-year financial report on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the potential impact of the COVID-19 pandemic on the Group's operations and the receipt of continuing financial support from Tian An China Investments Company Limited, the company's ultimate parent entity. Whilst the COVID-19 situation continues to evolve at the date of authorisation of the half-year financial report, the directors are satisfied that additional financial support is available should it be required 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 half-year financial report.

## 2. INVENTORIES

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

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

All land held for sale or under development (including land undergoing the approvals process) and apartment construction projects are regarded as inventory and are classified as such in the statement of financial position. Land and apartments are classified as current only when sales are expected to occur within the next 12 months.

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

|  | Group         |                     |
|--|---------------|---------------------|
|  | 30 June 2020  | 31 December<br>2019 |
|  | \$'000        | \$'000              |
| <b>Current</b>                             |               |                     |
| <i>Finished apartments</i>                 |               |                     |
| Cost of acquisition                        | 15            | 15                  |
| Development and other costs                | 2,194         | 2,194               |
| Interest capitalised                       | 263           | 263                 |
| Impairment provision                       | (1,649)       | (1,649)             |
| <b>Total</b>                               | <b>823</b>    | <b>823</b>          |
| <i>Land held for sale</i>                  |               |                     |
| Lower of cost and recoverable value        | 1,350         | -                   |
| Development and other costs                | -             | -                   |
| <b>Total</b>                               | <b>1,350</b>  | <b>-</b>            |
| <b>Total current</b>                       | <b>2,173</b>  | <b>823</b>          |
| <b>Non-current</b>                         |               |                     |
| <i>Land under development</i>              |               |                     |
| Cost of acquisition                        | 132,496       | 132,496             |
| Development and other costs                | 13,880        | 12,835              |
| Interest capitalised                       | 1,480         | 1,480               |
| Impairment provision                       | (66,702)      | (66,703)            |
| <b>Total</b>                               | <b>81,154</b> | <b>80,108</b>       |
| <b>Total non-current</b>                   | <b>81,154</b> | <b>80,108</b>       |
| <b>Total inventories net of impairment</b> | <b>83,327</b> | <b>80,931</b>       |

Lot 370 has been reclassified from non-current assets classified as held for sale to current inventories as at 30 June 2020 (refer note 6).

### 3. CONTRIBUTED EQUITY

|  | Group          |                  |
|--|----------------|------------------|
|  | 30 June 2020   | 31 December 2019 |
|  | \$'000         | \$'000           |
| <b>Issued capital</b>                      |                |                  |
| Ordinary share capital                     | 290,149        | 290,149          |
|  | <hr/>          | <hr/>            |
| <b>Movements in ordinary share capital</b> |                |                  |
| Balance at the beginning of the period     | 290,149        | 290,149          |
| Shares issued                              | -              | -                |
| Transactions costs                         | -              | -                |
|  | <hr/>          | <hr/>            |
| <b>Balance at the end of the period</b>    | <b>290,149</b> | <b>290,149</b>   |

### 4. DIVIDENDS

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

### 5. SEGMENT INFORMATION

In accordance with *AASB 8 Operating Segments*, the Group has assessed for the half-year reporting period ended 30 June 2020 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 Board of Directors of the Group determined that it operated in only one business segment, being residential property development in Australia. Operating results of the residential property development business segment are regularly reviewed by the Board to make decisions about resource allocation to that business and assess its performance.

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

|      | Group        |                  |
|------|--------------|------------------|
|      | 30 June 2020 | 31 December 2019 |
|      | \$'000       | \$'000           |
| Land | -            | 1,350            |
|      | <hr/>        | <hr/>            |

The above asset represents Lot 370 Country Club Drive at Port Bouvard Residential Estate ('Lot 370'). Whilst TIA have no intention of developing the property and continues to actively market Lot 370 for sale, the uncertainty created by the COVID-19 pandemic resulted in management reclassifying the asset back to inventories as the probability of an immediate sale occurring has reduced.

The asset has been reclassified as current inventory and measured at the lower of cost and its recoverable value.

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## 7. FINANCIAL ASSETS MEASURED AT FAIR VALUE

Determining whether a contractual arrangement gives the Group control or joint control of an arrangement requires a degree of judgement. In making this judgement, the Group considers whether the contractual arrangement provides the Group existing rights that give it the power to direct the relevant activities of the arrangement or whether the relevant activities require the unanimous consent of the parties sharing control. When assessing power in accordance with AASB 10, only substantive rights are considered. The holder of these substantive rights needs to have the practical ability to exercise and benefit from them, and that protective rights alone do not give control.

### *Significant Judgement: Classification of Joint Arrangements*

The joint venture arrangements in relation to the Group's investment in the Cascade Gardens, Pymble, and Auburn Square Projects provide the Group the right to participate in the arrangements through the contributions the Group has advanced to the joint venture projects in return for a preferred profit / capital distribution. In both arrangements, the property the subject of the projects and the development activities reside with the venture partner with TIA's consent required for any material changes to the project. As a consequence, TIA has concluded that the Group does not control or have joint control over the key relevant activities of the arrangements nor does it have the rights to the assets and liabilities of the arrangements. Therefore, the Group has recognised its rights to the future cash flows as a Financial Asset at Fair Value Through Profit or Loss (FVTPL).

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 the 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 used to present value these cash flows.

Movements for the half-year were:

|                              | FVTPL<br>(Pymble) | FVTPL<br>(Auburn) | TOTAL         |
|------------------------------|-------------------|-------------------|---------------|
|                              | \$'000            | \$'000            | \$'000        |
| 1 January 2020               | 29,243            | -                 | 29,243        |
| Investments in projects      | 767               | 45,657            | 46,424        |
| Change in fair value         | 1,324             | -                 | 1,324         |
| <b>30 June 2020</b>          | <b>31,334</b>     | <b>45,657</b>     | <b>76,991</b> |
| Current financial assets     | 27,299            | -                 | 27,299        |
| Non-current financial assets | 4,035             | 45,657            | 49,692        |
| <b>30 June 2020</b>          | <b>31,334</b>     | <b>45,657</b>     | <b>76,991</b> |

As the Group does not expect to receive all the remaining cash flows from the Pymble project within 12 months, a portion of the investment balance has been classified in non-current assets as at 30 June 2020. The Group is not expected to receive any proceeds from the Auburn project within 12 months and therefore the entire investment balance has been classified in non-current assets.

## 7. FINANCIAL ASSETS MEASURED AT FAIR VALUE (continued)

The change in the fair value of the Pymble project of \$1,324,000 recognised during the half-year period was due to the re-measurement and timing of the expected cash flows to be received from the project. The movement in the fair value has been recognised in the statement of profit and loss and other comprehensive income. Due to the close proximity of the Group's investment in the Auburn project to the reporting date, the fair value assessment completed by the Group was materially consistent with the initial investment in the project.

### (i) Valuation inputs and relationships to fair value

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 to be received from the investments. A change in these inputs would change the fair values of the investments as follows:

#### 30 June 2020

|  | Pymble<br>Profit or loss<br>(\$'000) |          | Auburn<br>Profit or loss<br>(\$'000) |          |
|--|--------------------------------------|----------|--------------------------------------|----------|
|  | Increase                             | Decrease | Increase                             | Decrease |
| Expected cash flow<br>(10% movement)         | 2,239                                | (3,133)  | 5,321                                | (5,321)  |
| Risk-adjusted discount rate<br>(5% movement) | (813)                                | 874      | (7,562)                              | 9,253    |

### (ii) Valuation processes

The main level 3 inputs used by the group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using both internal management reviews and external valuers which reflect the current market assessment of the time value of money and the risk associated with the asset.
- Expected cash flow: these are based on the expected costs of development, construction and financing activities as well as the proceeds from the sales of the projects assets. These estimates are based on the Group's knowledge of the development, and how the current economic environment is likely to impact the demand for residential accommodation over the life of the project.

## 8. OTHER FINANCIAL ASSETS AT AMORTISED COST

|                                     | Group                     |                               |
|-------------------------------------|---------------------------|-------------------------------|
|                                     | 30 June<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
| Loan receivable from Pymble Project | 17,351                    | 16,165                        |
| Total                               | 17,351                    | 16,165                        |

The Group provided loans of \$14,480,000 to LFD Pymble Pty Ltd ('LFD') for cost of the land purchased and development costs 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 \$2,871,000 has been capitalised on the loan balance as at 30 June 2020.



## 9. BORROWINGS

|                         | Group        |                  |
|-------------------------|--------------|------------------|
|                         | 30 June 2020 | 31 December 2019 |
|                         | \$'000       | \$'000           |
| Loan from parent entity | 72,657       | 23,000           |
| Total                   | 72,657       | 23,000           |

The Group entered into a \$20 million debt facility with Oasis Star Limited on 26 April 2018 with interest of approx. 4% per annum, payable monthly in arrears plus the cost of the bank loan facility available to Oasis Star Limited. The loan facility was subsequently increased to \$92 million on 1 June 2020 with the repayment date also been extended to 1 June 2022. The loan is unsecured. The Group have received a confirmation that the facility can be extended, if required.

## 10. NON-CASH INVESTING AND FINANCING ACTIVITIES

During the period, \$41,657,000 drawn down under the Oasis Star Limited financing facility was paid directly to Join View Developments Limited as consideration for the Auburn Square project.

## 11. EVENTS AFTER BALANCE SHEET DATE

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

## 12. RELATED PARTY TRANSACTIONS

The Group has a loan facility of \$92 million loan with Oasis Star Limited. The facility expires on 1 June 2022. Oasis Star Limited is Tian An Australia's largest shareholder, owning 76.7% of its shares. Oasis Star Limited is a 100% owned subsidiary of Tian An China Investments Company Limited which is 48.66% indirectly held by Allied Properties (H.K.) Limited.

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

- the attached Financial Statements and Notes thereto of the Group comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached Financial Statements and Notes thereto of the Group give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



**Peter Brown**  
Chairman  
Sydney  
14 August 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tian An Australia Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Tian An Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

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

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### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**BDO Audit Pty Ltd**

BDO  


**Martin Coyle**  
**Director**

Sydney, 14 August 2020

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