

## PRELIMINARY FINAL REPORT APPENDIX 4E

### REPORTING PERIODS

|                               |                                       |
|-------------------------------|---------------------------------------|
| Current reporting period      | Financial year ended 31 December 2020 |
| Previous corresponding period | Financial year ended 31 December 2019 |

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

#### Summary

|                                                                 |      |      |    | A \$'000 |
|-----------------------------------------------------------------|------|------|----|----------|
| Revenue from continuing operations                              | Down | NC   | to | -        |
| Net statutory loss for the period                               | Up   | 562% | to | (24,301) |
| Loss attributable to members of Tian An Australia Limited (TIA) | Up   | 562% | to | (24,301) |
| Net underlying loss for the period <sup>1</sup>                 | Up   | 22%  | to | (3,162)  |

#### Dividends per Share

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

No dividends were declared during the year ended 31 December 2020 or the previous corresponding period.

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

|                               |                     |
|-------------------------------|---------------------|
| Current reporting period      | 94 cents per Share  |
| Previous corresponding period | 122 cents per Share |

TIA recorded statutory loss of \$24.3 million against \$3.7 million loss in the prior comparative period. TIA reported an underlying loss of \$3.1 million, compared with a loss of \$2.6 million in the prior comparative period.

TIA generated \$Nil revenue during the current reporting period.

<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.



TIA's net asset balance at 31 December 2020 is \$81.3 million, down from \$105.6 million in the prior comparative period.

Significant impairments were incurred due to the Point Grey and Enfield projects. Management will continue to focus on gaining the necessary approvals for its Enfield project. TIA will also look at identifying residential developments that meet its investment strategy and criteria. The Cascade Gardens project has completed construction and settlements have commenced. Management will be continuing to sell down the remaining apartments at Cascade Gardens.

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

No dividend was declared for the current reporting period.

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

The report is based on the consolidated financial statements which have been audited by BDO Audit Pty Ltd.

# **TIAN AN AUSTRALIA LIMITED**

**ABN 12 009 134 114**

**AND ITS CONTROLLED ENTITIES**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2020**

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Corporate directory**

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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](http://www.tianan.com.au)

Email: [admin@tianan.com.au](mailto:admin@tianan.com.au)

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Corporate directory**

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#### **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 Audit Pty Ltd

Level 11

1 Margaret Street

Sydney NSW 2000

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Corporate directory**

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#### **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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

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## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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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 2020 (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                              |
| Arthur Dew  | Non-Executive Director             |
| Cerena Fu   | Independent Non-Executive Director |
| Marcus Seow | Independent Non-Executive Director |
| Peter Curry | Non-Executive Director             |
| 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).



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### **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, APAC Resources Limited Dragon Mining Limited ("Dragon Mining"), 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 Allied Properties (H.K.) Limited (resigning on 1 January 2021), SkyOcean International Holdings Limited (formerly known as Allied Overseas Limited) and a non-executive director of BARD1 Life Sciences Limited (formerly known as Eurogold Limited).

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

#### **Mark Wong**

##### *Alternate Director*

Mr. Mark Wong was appointed as an alternate director to Arthur Dew on 3 December 2015. He has a Master's Degree in Business Administration and is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The 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. Allied Properties (H.K.) Limited delisted from the Hong Kong stock exchange on 27 November 2020.

##### *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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### **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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### *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. He is also a non-executive director of Air Change International Limited, a company listed on the National Stock Exchange of Australia.

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

None.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### Chief Operating Officer & Company Secretary

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

*Company Secretary & Chief Operating Officer*

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 2020 year and the number of meetings attended by each Director is as follows:

| Number of meetings attended | Directors' Meetings |   | Audit Committee Meetings |   |
|-----------------------------|---------------------|---|--------------------------|---|
|                             | A                   | B | A                        | B |
| Peter Brown                 | 4                   | 4 | 4                        | 4 |
| Arthur Dew                  | 4                   | 4 | 4                        | 4 |
| Cerena Fu                   | 4                   | 4 | 4                        | 4 |
| Marcus Seow                 | 4                   | 4 | 4                        | 4 |
| Peter Curry                 | 4                   | 4 | 4                        | 4 |
| 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 2020. These are detailed in the accompanying notes to the financial statements.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### 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)

Management continues to market the remaining one apartment for sale.

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

The project team have finalised the Activity Centre Plan (ACP) which is required to be lodged and approved prior to submitting a development application for the marina. During preparation of the ACP a number of emerging constraints became apparent and which has had an adverse impact on the viability of the marina and the overall masterplan in its current form. The constraints / risks are summarised below;

- New coastal management requirements to respond to climate change has meant extended setbacks are required which have significantly reduced overall development area.
- Bushfire management requirements have become onerous following the unprecedented bushfire season in the summer of 2019 / 2020.
- Capital cost and ongoing operational costs of the marina
- Environmental protection and vegetation management on site has also impacted development yield.

Management are currently considering alternate masterplan options for the site and timing to continue further development works.

As a consequence of the above, and the continued economic uncertainty caused by the COVID-19 pandemic, an impairment loss of \$15,671,000 has been recognised in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

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

Management continues to market Lot 370 for sale.

##### *Eastern Seaboard*

###### Enfield, NSW (Enfield)

A development application for a 70 lot townhouse development was lodged with council in January 2020 and is currently under review. A request for information (RFI) was received in May and October 2020. Detailed responses were submitted. The development approval is anticipated in early 2021 with a sales launch to commence shortly after.

During the financial year, market conditions within the Enfield and surrounding precinct have conditioned to wane predominantly due to the lack of demand for certain types of residential accommodation due declining numbers of international students brought upon by the COVID-19 pandemic. Furthermore, recent regulatory constraints have also reduced the allowable lots developable on the site and also increased the expected construction cost per lot.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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As a consequence of the above, and the continued economic uncertainty caused by the COVID-19 pandemic, an impairment loss of \$10,384,000 has been recognised in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

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

Construction was completed on the 93 apartment site in Sydney's North Shore in October 2020. Settlements have commenced and sales will continue over the course of 2021.

#### Auburn Square, Auburn NSW (Auburn)

Tian An entered into a Joint Venture Agreement with LFD Auburn on 1 June 2020 for the delivery of 427 units at Auburn. Construction tenders for Stage 1 were received in July 2020 and a Contractor (Binah Group) has been appointed for Stage 1 (148 units).

### 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.

Construction has commenced at the Auburn Square site and management is currently obtaining approvals for the Enfield site, with a view to commence construction in 2021.

The Group will also aim to sell its remaining apartments at Cascade Gardens, Pymble, Oceanique, the Villa site ('Lot 370') and to commence initial works in respect to Point Grey.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

#### REVIEW OF OPERATIONS

##### Operating Performance

For the year ended 31 December 2020 the Group's recorded a statutory loss for the period of \$24,301,000 (year ended 31 December 2019: \$3,672,000). The Group's underlying loss for the period was \$3,162,000 (year ended 31 December 2019: \$2,601,000).

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

|                                                                         | Consolidated                      |                                   |
|-------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                                         | Year ended<br>31 December<br>2020 | Year ended<br>31 December<br>2019 |
|                                                                         | \$'000                            | \$'000                            |
| Statutory loss attributable to members after tax                        | (24,301)                          | (3,672)                           |
| Fair value gain on financial asset at fair value through profit or loss | (4,916)                           | (6,823)                           |
| Impairment of Enfield/Point Grey                                        | 26,055                            | 7,894                             |
| Underlying loss after tax <sup>1</sup>                                  | (3,162)                           | (2,601)                           |

<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 financial statements which have been subject to audit by the Company's auditor.

##### Financial Position

The Group's net assets at 31 December 2020 are \$81,266,000 (31 December 2019: \$105,567,000). During the year the Group:

- Entered into a joint venture with LFD Auburn to construct a 427-apartment complex in Auburn.
- Completed construction and commenced settlements at the 93-apartment Cascade Gardens, Pymble project.
- Sought approvals at our Enfield site with a view of converting the site into residential townhouses.
- 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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

|                         | Consolidated                  |                               |
|-------------------------|-------------------------------|-------------------------------|
|                         | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
| Current assets          | 38,026                        | 4,681                         |
| Non-current assets      | 128,659                       | 125,613                       |
| Total assets            | 166,685                       | 130,294                       |
| Current liabilities     | 704                           | 1,678                         |
| Non-current liabilities | 84,715                        | 23,049                        |
| Total liabilities       | 85,419                        | 24,727                        |
| Net assets              | 81,266                        | 105,567                       |

  

|                                          | Consolidated        |                     |
|------------------------------------------|---------------------|---------------------|
|                                          | 31 December<br>2020 | 31 December<br>2019 |
| # of ordinary shares on issue            | 86,608,830          | 86,608,830          |
| Balance sheet gearing ratio <sup>1</sup> | 50%                 | 16%                 |

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

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 completed construction. Settlements have also begun. All other projects are currently completed or in planning phase. Whilst the pandemic has had limited impact on TIA's day to day operations during the financial year, management performed an impairment assessment of all key assets across the Group and obtained updated external valuations in respect to the Group's Point Grey and Enfield projects. As a consequence of some project specific factors (discussed above) and the anticipated COVID-19 subdued demand for certain residential accommodation over the short to medium term, an impairment loss of \$26,055,000 has been recognised in respect to these assets for the year ended 31 December 2020.

Notwithstanding the above, management has improved the TIA's liquidity by increasing its loan facility to \$92 million and extended the repayment date to June 2022. TIA also has continuing financial support from Tian An China Investments Company Limited, the company's ultimate parent entity. The directors believes 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 2020 year financial report.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### 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 2020, 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                      |
| Arthur Dew   | Director – Non-Executive                    |
| Cerena Fu    | Director – Non-Executive                    |
| Marcus Seow  | Director – Non-Executive                    |
| Peter Curry  | Director – Non-Executive                    |
| Mark Wong    | Alternate Director                          |
| Hai-Young Lu | Company Secretary & Chief Operating Officer |
| Dennis Wong  | Financial Controller                        |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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#### 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 2020.

#### 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.

No options were granted during the year ended 31 December 2020 (Year ended 31 December 2019: 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

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

|                                                   | Year ended 31<br>December 2020 | Year ended 31<br>December 2019 | Year ended<br>30 June 2018 | Year ended<br>30 June 2017 | Year ended<br>30 June 2016 |
|---------------------------------------------------|--------------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|
| Revenue                                           | \$Nil                          | \$1.5m                         | \$3.0m                     | \$13.7m                    | \$5.0m                     |
| Net profit / (loss) after tax                     | (\$24.3m)                      | (\$3.7m)                       | (\$14.9m)                  | \$1.2m                     | \$8.0m                     |
| Share price at year end                           | \$0.25                         | \$0.41                         | \$0.61                     | \$0.80                     | \$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<br>market price | Nil                            | Nil                            | Nil                        | Nil                        | Nil                        |

#### Bonus Payments

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

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

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

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

#### Performance-based (at-risk) Remuneration

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

#### Other Remuneration

KMP receive superannuation in line with current superannuation guarantee requirements.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the year ended 31 December 2020

## 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 Parent Company. 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<br>December 2020 | Short-term benefits      |               | Post-employment<br>benefits |                | Long-term benefits |                    | Share-based<br>payments |          | Total          |
|--------------------------------|--------------------------|---------------|-----------------------------|----------------|--------------------|--------------------|-------------------------|----------|----------------|
|                                | Cash, salary<br>and fees | Cash<br>bonus | Non-cash<br>benefit         | Superannuation | Annual leave       | Long service leave | Options                 |          |                |
|                                | \$                       | \$            | \$                          | \$             | \$                 | \$                 | \$                      | \$       | \$             |
| <b>Directors</b>               |                          |               |                             |                |                    |                    |                         |          |                |
| Peter Brown                    | 100,000                  | -             | -                           | -              | -                  | -                  | -                       | -        | 100,000        |
| 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                    | 40,000                   | -             | -                           | 3,800          | -                  | -                  | -                       | -        | 43,800         |
| Mark Wong                      | -                        | -             | -                           | -              | -                  | -                  | -                       | -        | -              |
| <b>Other KMP</b>               |                          |               |                             |                |                    |                    |                         |          |                |
| Hai-Young Lu                   | 200,913                  | -             | -                           | 19,087         | 13,206             | 5,229              | -                       | -        | 238,435        |
| Dennis Wong                    | 173,516                  | -             | -                           | 16,484         | 8,743              | 3,386              | -                       | -        | 202,129        |
| <b>Totals</b>                  | <b>634,429</b>           | <b>-</b>      | <b>-</b>                    | <b>50,771</b>  | <b>21,949</b>      | <b>8,615</b>       | <b>-</b>                | <b>-</b> | <b>715,764</b> |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Directors' report for the year ended 31 December 2020

## 3. Details of remuneration (continued)

| Year ended 31<br>December 2019 | Short-term benefits      |            |                     | Post-employment<br>benefits |                    | Long-term benefits |    | Share-based<br>payments |    | Total   |
|--------------------------------|--------------------------|------------|---------------------|-----------------------------|--------------------|--------------------|----|-------------------------|----|---------|
|                                | Cash, salary and<br>fees | Cash bonus | Non-cash<br>benefit | Superannuation              | Long service leave | Options            |    |                         |    |         |
|                                |                          |            |                     |                             |                    |                    | \$ | \$                      | \$ |         |
| 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

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

#### 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 11 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 11 for the names of Non-Executive Directors.

##### *Executive Directors*

The Company currently has no Executive Directors.

##### Board Appointment Terms

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

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

##### KMP

Contracts with KMP are shown in the table below:

| Name                                                         | Key terms                                                                                                                                                                                                       | Base salary including superannuation <sup>1</sup>                                                                                                                                                | Termination benefit |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Jally Lin<br>Chief Executive Officer (resigned 1 April 2019) | <ul style="list-style-type: none"><li>Commenced 1 June 2013</li><li>Performance reviews in June and December each year</li><li>Statutory leave entitlements</li><li>Termination notice of eight weeks</li></ul> | \$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) | -                   |
| Hai-Young Lu                                                 | <ul style="list-style-type: none"><li>Commenced 1 April 2019</li><li>Statutory leave entitlements</li><li>Termination notice of one month</li></ul>                                                             | \$220,000 p.a.                                                                                                                                                                                   | -                   |
| Dennis Wong                                                  | <ul style="list-style-type: none"><li>Commenced 3 March 2014</li><li>Statutory Leave entitlements</li><li>Termination notice of one month</li></ul>                                                             | \$190,000 p.a.                                                                                                                                                                                   | -                   |

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

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

---

#### 5. Share-Based Compensation

##### Options

In the year ended 31 December 2020, 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 2020 (31 December 2019: nil).

##### Shares

There were no shares issued as part of compensation during the year (2019: nil).



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

#### 6. Additional Information

##### Cash Bonus

No bonuses were paid in the current year (year ended 31 December 2019: 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<br>31-Dec<br>2020 | Received<br>as part of<br>remuneration | Additions | Disposals<br>/<br>other | Balance at<br>31-Dec<br>2019 |
|------------------------|------------------------------|----------------------------------------|-----------|-------------------------|------------------------------|
| <b>Ordinary shares</b> |                              |                                        |           |                         |                              |
| <i>Directors</i>       |                              |                                        |           |                         |                              |
| Peter Brown            | -                            | -                                      | -         | -                       | -                            |
| Arthur Dew             | -                            | -                                      | -         | -                       | -                            |
| Cerena Fu              | -                            | -                                      | -         | -                       | -                            |
| Marcus Seow            | -                            | -                                      | -         | -                       | -                            |
| Peter Curry            | -                            | -                                      | -         | -                       | -                            |
| Mark Wong              | -                            | -                                      | -         | -                       | -                            |

##### 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 \$2,372,000 were made in the year (Year ended 31 December 2019: \$942,000) to Oasis Star Limited. The Group entered 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. Fees of \$390,000 were made during the year (year ended 31 December 2019: \$nil).

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

#### END OF AUDITED REMUNERATION REPORT

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Directors' report for the year ended 31 December 2020**

---

#### **SHARES UNDER OPTION**

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

#### **SHARE ISSUED ON THE EXERCISE OF OPTIONS**

No shares were issued on the exercise of options during the year (Year ended 31 December 2019: 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.

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Directors' report for the year ended 31 December 2020**

---

#### **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 impact of the COVID-19 outbreak continues to evolve at the date of this report and therefore the impact of the pandemic on the Group's future financial results remains uncertain and will depend on future developments such as the duration and severity of the outbreak and government policies.

Other than the above, 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.

#### **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:

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' report for the year ended 31 December 2020

- 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 Audit Pty Ltd, and their affiliated entities during the year ended 31 December 2020 by the Group:

|                              | Year ended<br>31 December<br>2020 | Year ended<br>31 December<br>2019 |
|------------------------------|-----------------------------------|-----------------------------------|
| Service                      | \$                                | \$                                |
| Taxation compliance services | 37,664                            | 20,551                            |
| Total                        | 37,664                            | 20,551                            |

## **TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

### **Directors' report for the year ended 31 December 2020**

---

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act can be found on page 24.

#### **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 Audit Pty Ltd 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 Brown**  
Chairman  
22 February 2021  
Sydney

**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 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 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**  
Director

**BDO Audit Pty Ltd**

Sydney, 22 February 2021

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

|                                                                                            | Note | Consolidated<br>Year ended<br>31 December<br>2020<br>\$'000 | Year ended<br>31 December<br>2019<br>\$'000 |
|--------------------------------------------------------------------------------------------|------|-------------------------------------------------------------|---------------------------------------------|
| Revenue                                                                                    | 6    | -                                                           | 1,524                                       |
| Other income                                                                               | 6    | 806                                                         | 86                                          |
| Cost of sales                                                                              | 6    | -                                                           | (1,742)                                     |
| Employee benefits expense                                                                  | 6    | (969)                                                       | (901)                                       |
| Commissions & discounts                                                                    |      | -                                                           | (35)                                        |
| Net increase in fair value of financial assets at fair value through profit or loss        | 11   | 4,916                                                       | 6,823                                       |
| Impairment loss on development projects classified as Inventories                          | 10   | (26,055)                                                    | (7,894)                                     |
| Non-executive directors' fees                                                              |      | (275)                                                       | (241)                                       |
| Legal fees                                                                                 |      | (108)                                                       | (60)                                        |
| Consultants' fees                                                                          |      | (134)                                                       | (96)                                        |
| Rates and taxes                                                                            |      | (619)                                                       | (569)                                       |
| Repairs and maintenance                                                                    |      | (63)                                                        | (105)                                       |
| Rental expenses                                                                            |      | (254)                                                       | (171)                                       |
| Depreciation and amortisation                                                              | 6    | (81)                                                        | (91)                                        |
| Other expenses from continuing operations                                                  | 6    | (830)                                                       | (655)                                       |
| <b>Operating loss</b>                                                                      |      | <b>(23,666)</b>                                             | <b>(4,127)</b>                              |
| Finance income                                                                             |      | 1,737                                                       | 1,397                                       |
| Finance costs                                                                              |      | (2,372)                                                     | (942)                                       |
| Net finance income                                                                         |      | (635)                                                       | 455                                         |
| <b>Loss before income tax</b>                                                              |      | <b>(24,301)</b>                                             | <b>(3,672)</b>                              |
| Income tax benefit                                                                         | 7    | -                                                           | -                                           |
| <b>Loss after tax from continuing operations attributable to members for the year</b>      |      | <b>(24,301)</b>                                             | <b>(3,672)</b>                              |
| <b>Other comprehensive income for the year, net of income tax</b>                          |      | <b>-</b>                                                    | <b>-</b>                                    |
| <b>Total comprehensive loss attributable to members for the year</b>                       |      | <b>(24,301)</b>                                             | <b>(3,672)</b>                              |
| Earnings per share                                                                         | 20   |                                                             |                                             |
| - Basic (loss) from continuing operations attributable to members for the year             |      | (28.06)                                                     | (4.24)                                      |
| - Diluted (loss) per share from continuing operations attributable to members for the year |      | (28.06)                                                     | (4.24)                                      |

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

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated statement of financial position

As at 31 December 2020

|                                                       | Note | Consolidated                  |                               |
|-------------------------------------------------------|------|-------------------------------|-------------------------------|
|                                                       |      | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
| <b>Current Assets</b>                                 |      |                               |                               |
| Cash and cash equivalents                             | 8    | 2,727                         | 1,890                         |
| Trade and other receivables                           | 9    | 164                           | 80                            |
| Inventories                                           | 10   | 2,173                         | 823                           |
| Financial assets at fair value through profit or loss | 11   | 32,525                        | -                             |
| Other assets                                          | 14   | 437                           | 538                           |
|                                                       |      | <b>38,026</b>                 | <b>3,331</b>                  |
| Non-current assets classified as held-for-sale        | 13   | -                             | 1,350                         |
| <b>Total Current Assets</b>                           |      | <b>38,026</b>                 | <b>4,681</b>                  |
| <b>Non-Current Assets</b>                             |      |                               |                               |
| Inventories                                           | 10   | 55,925                        | 80,108                        |
| Loan receivable                                       | 12   | 18,227                        | 16,165                        |
| Financial assets at fair value through profit or loss | 11   | 54,497                        | 29,243                        |
| Property, plant and equipment                         |      | 10                            | 97                            |
| Deferred tax assets                                   | 7    | -                             | -                             |
| <b>Total Non-Current Assets</b>                       |      | <b>128,659</b>                | <b>125,613</b>                |
| <b>TOTAL ASSETS</b>                                   |      | <b>166,685</b>                | <b>130,294</b>                |
| <b>Current Liabilities</b>                            |      |                               |                               |
| Trade and other payables                              | 15   | 589                           | 1,587                         |
| Borrowings                                            | 16   | -                             | -                             |
| Provisions                                            | 17   | 115                           | 91                            |
| <b>Total Current Liabilities</b>                      |      | <b>704</b>                    | <b>1,678</b>                  |
| <b>Non-Current Liabilities</b>                        |      |                               |                               |
| Provisions                                            | 17   | 58                            | 49                            |
| Borrowings                                            | 16   | 84,657                        | 23,000                        |
| Deferred tax liabilities                              | 7    | -                             | -                             |
| <b>Total Non-Current Liabilities</b>                  |      | <b>84,715</b>                 | <b>23,049</b>                 |
| <b>TOTAL LIABILITIES</b>                              |      | <b>85,419</b>                 | <b>24,727</b>                 |
| <b>NET ASSETS</b>                                     |      | <b>81,266</b>                 | <b>105,567</b>                |
| <b>EQUITY</b>                                         |      |                               |                               |
| Contributed equity                                    | 18   | 290,149                       | 290,149                       |
| Reserves                                              | 19   | -                             | -                             |
| Accumulated losses                                    |      | (208,883)                     | (184,582)                     |
| <b>TOTAL EQUITY</b>                                   |      | <b>81,266</b>                 | <b>105,567</b>                |

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



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Consolidated statement of changes in equity

For the year ended 31 December 2020

| Consolidated                                 | Contributed equity | Accumulated losses | Total          |
|----------------------------------------------|--------------------|--------------------|----------------|
|                                              | \$'000             | \$'000             | \$'000         |
| <b>Balance at 1 January 2020</b>             | 290,149            | (184,582)          | 105,567        |
| Loss for the year                            | -                  | (24,301)           | (24,301)       |
| Other comprehensive income                   | -                  | -                  | -              |
| <b>Total comprehensive loss for the year</b> | -                  | (24,301)           | (24,301)       |
| <b>Balance at 31 December 2020</b>           | <b>290,149</b>     | <b>(208,883)</b>   | <b>81,266</b>  |
| <b>Balance at 1 January 2019</b>             | 290,149            | (180,910)          | 109,239        |
| Loss for the year                            | -                  | (3,672)            | (3,672)        |
| Other comprehensive income                   | -                  | -                  | -              |
| <b>Total comprehensive loss for the year</b> | -                  | (3,672)            | (3,672)        |
| <b>Balance at 31 December 2019</b>           | <b>290,149</b>     | <b>(184,582)</b>   | <b>105,567</b> |

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

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated statement of cash flows

For the year ended 31 December 2020

|                                                                   | Note | Consolidated                             |                                          |
|-------------------------------------------------------------------|------|------------------------------------------|------------------------------------------|
|                                                                   |      | Year ended 31<br>December 2020<br>\$'000 | Year ended 31<br>December 2019<br>\$'000 |
| <b>Cash flows from operating activities</b>                       |      |                                          |                                          |
| Receipts from customers (inclusive of GST)                        |      | 806                                      | 1,675                                    |
| Payments to suppliers and employees (inclusive of GST)            |      | (6,067)                                  | (3,281)                                  |
| Interest received                                                 |      | 4                                        | 23                                       |
| Finance costs including interest and other costs of finance paid  |      | (2,372)                                  | (942)                                    |
| <b>Net cash flows (used in) / from operating activities</b>       | 27   | <b>(7,629)</b>                           | <b>(2,525)</b>                           |
| <b>Cash flows from investing activities</b>                       |      |                                          |                                          |
| Payments for financial assets                                     | 30   | (11,203)                                 | (10,435)                                 |
| Receipts from financial assets                                    |      | -                                        | 3,500                                    |
| Payments for property, plant and equipment                        |      | (2)                                      | (5)                                      |
| Loan repaid from Pymble Project                                   |      | -                                        | 1,500                                    |
| Loan advanced to Pymble Project                                   |      | (329)                                    | (4,469)                                  |
| <b>Net cash flows used in investing activities</b>                |      | <b>(11,534)</b>                          | <b>(9,909)</b>                           |
| <b>Cash flows from financing activities</b>                       |      |                                          |                                          |
| Proceeds from borrowings                                          | 30   | 20,000                                   | 14,000                                   |
| Repayment of borrowings                                           |      | -                                        | (4,000)                                  |
| <b>Net cash flows from financing activities</b>                   |      | <b>20,000</b>                            | <b>10,000</b>                            |
| <b>Net increase in cash and cash equivalents</b>                  |      | <b>837</b>                               | <b>(2,434)</b>                           |
| Cash and cash equivalents at the beginning of the financial year  |      | 1,890                                    | 4,324                                    |
| <b>Cash and cash equivalents at the end of the financial year</b> | 8    | <b>2,727</b>                             | <b>1,890</b>                             |

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

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

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##### 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 2020.

The financial report of the Group for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of Directors on 22 February 2021.

##### 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, unless otherwise stated.

###### (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 at fair value and inventories which have been measured at net realisable value.

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 29.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no material impact on the consolidated entity's financial statements on adoption of these standards and Interpretations.

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

##### (e) Going concern

The directors have prepared the 31 December 2020 financial report 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 \$24,301,000 (2019: \$3,672,000) and incurred net cash outflows from operating and investing activities of \$19,166,000 (2019: \$12,434,000).

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 authorisation 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.

##### *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.

##### *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. Management use a combination of both internal and external valuations at each reporting date in order to assess the net realisable value of inventories. Both valuation methods are dependent on key judgements, including gross development realisable values, forecasted development profit, planning approvals, discount rates, and comparable properties for direct comparison valuation methods.

As at 31 December 2020, an analysis of net realisable value of the Group's inventory based on independent external valuations resulted in a \$26,055,000 impairment loss (31 December 2019: \$7,894,000) which has been disclosed in the consolidated statement of profit or loss and other comprehensive income. The impairment losses relate to the Group's Point Grey and Enfield projects. As disclosed in the Directors Report, the impairments arose due to a combination of project specific factors and the anticipated subdued demand for certain residential accommodation over the short to medium term as a consequence of the COVID-19 pandemic.

##### *Fair value measurement hierarchy*

The Group 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.

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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. In determining the fair value of an asset, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages Valuer to perform the valuation. The Directors work closely with the Valuer to establish the appropriate valuation techniques and inputs to the model.

#### *Provision of ECL for loan receivable*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

#### *Classification of joint arrangements*

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.

Once the above criteria have been established, the Group accounts for its joint arrangements in accordance with the accounting policy in Note 31 (e)

Management have made the following significant judgements in respect to the classification of the Group's joint arrangements.

#### Pymble project

The joint venture agreement in relation to the Group's investment in the Cascade Gardens, Pymble Project ('the arrangement') provide the Group the right to participate in the arrangement through the contributions the Group's has advanced to the arrangement in return for a preferred profit distribution. In the arrangement, the property, the subject of the project and the development activities reside with the joint venture partner with TIA's consent required for any material changes to the arrangement through the Group's casting vote on the management committee. Upon entering into the arrangement, TIA concluded that certain decisions empowered by the management committee were purely a protective measure put in place due to:

- 1) Unlike TIA's other joint arrangements, TIA were unable to obtain security over the land being developed in order 'protect' TIA's investment.
- 2) The timing of when TIA joined the arrangement meant that most of the major decisions concerning the key relevant activities of the project had already been made / decided on by the joint venture partner.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

As a consequence, TIA concluded that the Group does not control or have joint control over the key relevant activities of the arrangement nor does it have the rights to the assets and liabilities of the arrangement. Therefore, the Group has recognised its rights to the future cash flows of the arrangement as a Financial Asset at Fair Value Through Profit or Loss (FVTPL) as disclosed in Note 11.

##### Auburn project

The joint venture agreement in relation to the Group's investment in the Auburn Square Project ('the development project') provide the Group the right to participate in the development project through the contributions the Group has advanced to the development project in return for a preferred and residual profit distribution. Similar to the Group's Pymble Project, the property, the subject of the project and the development activities reside with the joint venture partner.

Notwithstanding the above, the joint venture agreement in relation to the Auburn Square Project requires unanimous consent from both TIA and the joint venture partner in respect to certain key decisions and has also granted TIA a secured mortgage over the land in which the development activities will be conducted. As the Auburn Square Project is an early stage development with certain key appointments and approvals still be obtained / finalised, TIA has concluded that the Group has joint control over the key relevant activities and therefore the investment is classified as a joint operation. As the joint operation does not provide TIA the rights to any of the assets and liabilities of the development project, the Group has recognised its rights to the future cash flows of the project as a Financial Asset at Fair Value Through Profit or Loss (FVTPL) as disclosed in Note 11.

The classification of the Auburn Project as joint operation has had no impact on the reported results or the financial position of the Group from that of the half year financial statements for the period ended 30 June 2020.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 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<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>      |                               |                               |
| Cash and cash equivalents    | 2,727                         | 1,890                         |
| Trade and other receivables  | 164                           | 80                            |
| Other assets                 | 228                           | 275                           |
| Loan receivable              | 18,227                        | 16,165                        |
| Financial assets at FVTPL    | 87,022                        | 29,243                        |
|                              | <b>108,368</b>                | <b>47,653</b>                 |
| <b>Financial liabilities</b> |                               |                               |
| Trade and other payables     | 589                           | 1,587                         |
| Borrowings                   | 84,657                        | 23,000                        |
|                              | <b>85,246</b>                 | <b>24,587</b>                 |

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. In 2020 the proceeds of borrowing were used to fund the Group's contribution to the Auburn Project.

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 and liquidity risk. The Board reviews and agrees policies for managing each of these risks annually as summarised below.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

---

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

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*

The Group is exposed to fair value interest rate risk through the impact of variable interest rates on its financial instruments. The Group's cash flow interest rate risk relates primarily to borrowings. The Group's borrowings are issued at floating rates. At the end of the year, the Group's debt facilities were drawn to \$84,657,000 (2019: \$23,000,000).

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 ongoing development costs to existing projects and currently involve floating interest rates. The funds available may only be used to fund the specific project for which the facility was granted.

Medium-term borrowings are used to finance the Group's equity contributions into its development projects and working capital and are currently managed by borrowing at floating interest rates. Please refer to Note 16 for further details on the Group's borrowings.

###### *Interest rate risk Group sensitivity*

For the year ended 31 December 2020 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 \$565,000 lower/higher (year ended 31 December 2019: \$182,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings.

The Group has one debt facility available at 31 December 2020. It has a \$92,000,000 loan facility with Oasis Star Limited at an interest rate of approximately 4.09% p.a. Refer to Note 16 for further details on the Group's borrowings.

##### 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 2020 is the carrying value of financial assets recorded in the financial statements, net of any allowances for losses.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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

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 2020, the Group had no unconditional contracts for sale outstanding (31 December 2019: nil), 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 investments in the Auburn and Pymble Projects. The Group has managed the credit risk in respect to the Pymble Projects through obtaining a secured personal guarantee from the sole director of LFD and a secured mortgage over the land pertaining to the Auburn project.

#### *Impairment*

At 31 December 2020, 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 2020 was immaterial.

The loan is secured by a personal guarantee from the sole director of LFD, the Joint Venture partner of Pymble Project.

#### **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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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

##### *Financing arrangements*

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

|                                          | Consolidated  |               |
|------------------------------------------|---------------|---------------|
|                                          | 31 December   | 31 December   |
|                                          | 2020          | 2019          |
|                                          | \$'000        | \$'000        |
| Floating rate                            |               |               |
| - Expiring within 12 months              | -             | -             |
| Floating rate                            |               |               |
| - Expiring within 24 months <sup>1</sup> | 84,657        | 23,000        |
| <b>Total</b>                             | <b>84,657</b> | <b>23,000</b> |

<sup>1</sup> Facility expires on 30 June 2022.

##### *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 further details 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 and include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

| <b>Consolidated</b>                |                                         |                                  |                              |                                     |                                     |                            |                                            |
|------------------------------------|-----------------------------------------|----------------------------------|------------------------------|-------------------------------------|-------------------------------------|----------------------------|--------------------------------------------|
| <b>At 31 December 2020</b>         | <b>Weighted average interest rate %</b> | <b>Less than 6 months \$'000</b> | <b>6 to 12 months \$'000</b> | <b>Between 1 and 2 years \$'000</b> | <b>Between 2 and 5 years \$'000</b> | <b>Over 5 years \$'000</b> | <b>Total contractual cash flows \$'000</b> |
| Loan facility                      | 4.09                                    | -                                | -                            | 89,850                              | -                                   | -                          | 89,850                                     |
| Bank guarantee facility            | -                                       | -                                | -                            | 41                                  | -                                   | -                          | 41                                         |
| Trade and other payables           | -                                       | 589                              | -                            | -                                   | -                                   | -                          | 589                                        |
| <b>Total financial Liabilities</b> | -                                       | <b>589</b>                       | -                            | <b>89,891</b>                       | -                                   | -                          | <b>90,480</b>                              |

| <b>Consolidated</b>                |                                         |                                  |                              |                                     |                                     |                            |                                            |
|------------------------------------|-----------------------------------------|----------------------------------|------------------------------|-------------------------------------|-------------------------------------|----------------------------|--------------------------------------------|
| <b>At 31 December 2019</b>         | <b>Weighted average interest rate %</b> | <b>Less than 6 months \$'000</b> | <b>6 to 12 months \$'000</b> | <b>Between 1 and 2 years \$'000</b> | <b>Between 2 and 5 years \$'000</b> | <b>Over 5 years \$'000</b> | <b>Total contractual cash flows \$'000</b> |
| Loan facility                      | 4.17                                    | -                                | -                            | 24,411                              | -                                   | -                          | 24,411                                     |
| Bank guarantee facility            | -                                       | -                                | -                            | 83                                  | -                                   | -                          | 83                                         |
| Trade and other payables           | -                                       | 1,587                            | -                            | -                                   | -                                   | -                          | 1,587                                      |
| <b>Total financial Liabilities</b> | -                                       | <b>1,587</b>                     | -                            | <b>24,494</b>                       | -                                   | -                          | <b>26,081</b>                              |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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

##### 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 2019 financial year.

##### Fair value measurement

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

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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

Movements for the year were:

|                                    | FVTPL (Pymble) | FVTPL (Auburn) |
|------------------------------------|----------------|----------------|
|                                    | \$'000         | \$'000         |
| Balance at 31 December 2019        | 29,243         | -              |
| Investments in projects            | 767            | 52,096         |
| Change in fair value               | 4,916          | -              |
| <b>Balance at 31 December 2020</b> | <b>34,926</b>  | <b>52,096</b>  |
| Current financial assets           | 32,525         | -              |
| Non-current financial assets       | 2,401          | 52,096         |
| <b>Balance at 31 December 2020</b> | <b>34,926</b>  | <b>52,096</b>  |

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

31 December 2020

|                                                                  | FVTPL Pymble          | FVTPL Auburn          |
|------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                  | Profit or loss        | Profit or loss        |
|                                                                  | (\$'000)              | (\$'000)              |
|                                                                  | Increase / (Decrease) | Increase / (Decrease) |
| Expected cash flow (increase of 10%)                             | 3,399                 | 5,170                 |
| Expected cash flow (decrease of 10%)                             | (3,399)               | (5,170)               |
| Discount rates (increase by 5%)                                  | (698)                 | (8,688)               |
| Discount rates (decrease by 5%)                                  | 753                   | 7,176                 |
| Remaining duration of project used to calculate NPV (10% delays) | (1,167)               | (2,369)               |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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

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.

*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.

#### Internal Control

There is currently no internal audit function. Management currently engages external parties to evaluate and improve the effectiveness of its governance, risk management and its internal control processes.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

| <b>6. REVENUE AND EXPENSES</b>           |                                        |                                        |
|------------------------------------------|----------------------------------------|----------------------------------------|
|                                          | <b>Year ended 31<br/>December 2020</b> | <b>Year ended 31<br/>December 2019</b> |
|                                          | <b>\$'000</b>                          | <b>\$'000</b>                          |
| <b>Revenue</b>                           |                                        |                                        |
| Sale of goods – land and apartments      | -                                      | 1,524                                  |
|                                          | -                                      | 1,524                                  |
| <b>Other income</b>                      |                                        |                                        |
| Other income                             | 806                                    | 86                                     |
|                                          | 806                                    | 86                                     |
| <b>Cost of sales</b>                     |                                        |                                        |
| Cost of sales                            | -                                      | (1,742)                                |
|                                          | -                                      | (1,742)                                |
| <b>Net Finance Income/(costs)</b>        |                                        |                                        |
| Bank accounts and loan interest expenses | (2,372)                                | (942)                                  |
| Finance revenue                          | 1,737                                  | 1,397                                  |
|                                          | (635)                                  | 455                                    |

During the year the Group incurred borrowing costs of \$2,372,000 (2019: \$942,000). Of the costs, nothing was capitalised (2019: nil).

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 6. REVENUE AND EXPENSES (CONTINUED)

|                                                  | Year ended 31<br>December 2020 | Year ended 31<br>December 2019 |
|--------------------------------------------------|--------------------------------|--------------------------------|
|                                                  | \$'000                         | \$'000                         |
| <b>Employee benefits expense</b>                 |                                |                                |
| Wages and salaries                               | (846)                          | (740)                          |
| Superannuation expense                           | (77)                           | (71)                           |
| Payroll tax expense                              | (11)                           | (16)                           |
| Other employee benefits expense                  | (35)                           | (74)                           |
|                                                  | <u>(969)</u>                   | <u>(901)</u>                   |
| <b>Depreciation and amortisation</b>             |                                |                                |
| Plant and equipment                              | (81)                           | (91)                           |
|                                                  | <u>(81)</u>                    | <u>(91)</u>                    |
| <b>Other expenses from continuing operations</b> |                                |                                |
| Audit fees                                       | (104)                          | (95)                           |
| Insurance                                        | (173)                          | (155)                          |
| ASX fees                                         | (18)                           | (36)                           |
| Share registry fees                              | (33)                           | (26)                           |
| Travel                                           | (35)                           | (59)                           |
| Bank charges                                     | (1)                            | (1)                            |
| Valuation fees                                   | (35)                           | (30)                           |
| Other                                            | (431)                          | (253)                          |
|                                                  | <u>(830)</u>                   | <u>(655)</u>                   |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 6. REVENUE AND EXPENSES (CONTINUED)

##### Recognition and measurement

##### *Land development and apartment sales*

The vast majority of the group's reoccurring revenue relates to the sale of developed land and completed apartments which are 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.

##### *COVID-19 Financial Assistance*

During the year, the Group received financial assistance from government to support business operations adversely impacted by the COVID-19 pandemic. This assistance included wages subsidies which has been recognised in other income within the statement of profit or loss and other comprehensive income for the period.

##### *Other income*

The Group currently is receiving income from the rental of office spaces at its Enfield site. The contracts are short term and will cease once construction commences. The Group also receives income from its parent entity Tian An China for recharges of staff personnel. This is a fixed amount billed monthly and is reviewed quarterly.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

#### 7. INCOME TAX

The major components of income tax expense are:

|                                                                               | Year ended<br>31 December<br>2020<br>\$'000 | Year ended<br>31 December<br>2019<br>\$'000 |
|-------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Current tax                                                                   | -                                           | -                                           |
| Deferred tax                                                                  | -                                           | -                                           |
| <i>Recoupment of prior year tax losses</i>                                    | -                                           | -                                           |
|                                                                               | <u>-</u>                                    | <u>-</u>                                    |
| Accounting profit/(loss) before tax                                           | (24,301)                                    | (3,672)                                     |
| Income tax/(benefit) at the Group's statutory rate of 30% (30 June 2019: 30%) | (7,290)                                     | (1,102)                                     |
| Non-assessable / non-deductible items                                         | 6,286                                       | (1,161)                                     |
| Tax losses not brought to account                                             | 1,004                                       | 2,001                                       |
| Adjustment to prior year                                                      | (6)                                         | 251                                         |
| Expenditure not allowable for income tax purposes                             | 6                                           | 11                                          |
|                                                                               | <u>-</u>                                    | <u>-</u>                                    |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 7. INCOME TAX (CONTINUED)

Breakdown of deferred tax assets and liabilities are:

|                                                       | Balance at 31<br>December<br>2019 | Charged to<br>Income | Charged to<br>Directly to<br>Equity | Balance at 31<br>December<br>2020 |
|-------------------------------------------------------|-----------------------------------|----------------------|-------------------------------------|-----------------------------------|
|                                                       | \$'000                            | \$'000               | \$'000                              | \$'000                            |
| <b>Deferred tax assets</b>                            |                                   |                      |                                     |                                   |
| Tax loss carried forward                              | 35,189                            | 999                  |                                     | 36,188                            |
| Expenses not deductible until paid                    | 81                                | 14                   |                                     | 95                                |
| Share transaction costs                               | 69                                | -                    | -                                   | 69                                |
| Fair value loss on net realisable value<br>write down | 22,825                            | 6,341                | -                                   | 29,166                            |
| Unrecognised deferred tax assets                      | (58,164)                          | (7,354)              | -                                   | (65,518)                          |
|                                                       | -                                 | -                    | -                                   | -                                 |

#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 7. INCOME TAX (CONTINUED)

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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 8. CASH AND CASH EQUIVALENTS

|                          | 31 December<br>2020 | 31 December<br>2019 |
|--------------------------|---------------------|---------------------|
|                          | \$'000              | \$'000              |
| Cash at bank and on hand | 2,727               | 1,890               |

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 0.32% (Year ended 31 December 2019: 1.32%).

#### 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.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 9. TRADE AND OTHER RECEIVABLES

|                   | 31 December<br>2020 | 31 December<br>2019 |
|-------------------|---------------------|---------------------|
|                   | \$'000              | \$'000              |
| <b>Current</b>    |                     |                     |
| Trade receivables | 52                  | 35                  |
| Other receivables | 112                 | 45                  |
|                   | <u>164</u>          | <u>80</u>           |

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 2020 (31 December 2019: \$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 2020 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2019: \$Nil).

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

#### 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<br>2020 | 31 December<br>2019 |
|------------------------------------------|---------------------|---------------------|
|                                          | \$'000              | \$'000              |
| <b>(a) Inventories net of impairment</b> |                     |                     |
| <b>Current</b>                           |                     |                     |
| <i>Finished apartments</i>               |                     |                     |
| Cost of acquisition                      | 15                  | 15                  |
| Development and other costs              | 2,194               | 2,194               |
| Capitalised interest                     | 263                 | 263                 |
| Impairment provision                     | (1,649)             | (1,649)             |
|                                          | <u>823</u>          | <u>823</u>          |
| <b>Current</b>                           |                     |                     |
| <i>Land held for sale*</i>               |                     |                     |
| Lower of cost and recoverable value      | 1,350               | -                   |
|                                          | <u>1,350</u>        | <u>-</u>            |
| <b>Total Current</b>                     | <u>2,173</u>        | <u>823</u>          |

\* Lot 370 has been reclassified from non-current assets classified as held for sale to current inventories as at 31 December 2020 (refer note 13).

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

### 10. INVENTORIES (CONTINUED)

#### Non-Current

##### Land under development

|                                            |               |               |
|--------------------------------------------|---------------|---------------|
| Cost of acquisition                        | 132,496       | 132,496       |
| Development and other costs                | 14,707        | 12,835        |
| Capitalised interest                       | 1,480         | 1,480         |
| Impairment provision                       | (92,758)      | (66,703)      |
| <b>Total non-current</b>                   | <b>55,925</b> | <b>80,108</b> |
| <b>Total inventories net of impairment</b> | <b>58,098</b> | <b>80,931</b> |

#### (b) Inventory impairment provisions

|                                          | Finished<br>apartments<br>\$'000 | Land under<br>development<br>\$'000 | Total<br>\$'000 |
|------------------------------------------|----------------------------------|-------------------------------------|-----------------|
| <b>Year ended 31 December 2020</b>       |                                  |                                     |                 |
| <b>Current</b>                           |                                  |                                     |                 |
| Balance as at 1 January 2020             | (1,649)                          | -                                   | (1,649)         |
| Amounts utilised                         | -                                | -                                   | -               |
| Additional provision created             | -                                | -                                   | -               |
| <b>Balance at 31 December 2020</b>       | <b>(1,649)</b>                   | <b>-</b>                            | <b>(1,649)</b>  |
| <b>Non-current</b>                       |                                  |                                     |                 |
| Balance as at 1 January 2020             | -                                | (66,703)                            | (66,703)        |
| Additional provision created             | -                                | (26,055)                            | (26,055)        |
| <b>Balance at 31 December 2020</b>       | <b>-</b>                         | <b>(92,758)</b>                     | <b>(92,758)</b> |
| <b>Total balance at 31 December 2020</b> | <b>(1,649)</b>                   | <b>(92,758)</b>                     | <b>(94,407)</b> |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

| 10. INVENTORIES (CONTINUED)              |                        |                           |                 |
|------------------------------------------|------------------------|---------------------------|-----------------|
|                                          | Finished<br>apartments | Land under<br>development | Total           |
|                                          | \$'000                 | \$'000                    | \$'000          |
| <b>Year ended 31 December 2020</b>       |                        |                           |                 |
| <b>Current</b>                           |                        |                           |                 |
| Balance as at 1 January 2019             | (5,334)                | -                         | (5,334)         |
| Amounts utilised                         | 3,853                  | -                         | 3,853           |
| Additional provision created             | (168)                  | -                         | (168)           |
| <b>Balance at 31 December 2019</b>       | <b>(1,649)</b>         | <b>-</b>                  | <b>(1,649)</b>  |
| <b>Non-current</b>                       |                        |                           |                 |
| Balance as at 1 January 2019             | -                      | (58,977)                  | (58,977)        |
| Additional provision created             | -                      | (7,726)                   | (7,726)         |
| <b>Balance at 31 December 2019</b>       | <b>-</b>               | <b>(66,703)</b>           | <b>(66,703)</b> |
| <b>Total balance at 31 December 2019</b> | <b>(1,649)</b>         | <b>(66,703)</b>           | <b>(68,352)</b> |

Inventories recognised as expense within cost of sales during the year ended 31 December 2020 amounted to \$Nil (2019: \$1,742,000). Write-down of inventory to recoverable amount recognised as an expense during the year ended 31 December 2020 amounted to \$26,055,000 (2019: \$7,894,000).

#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 10. INVENTORIES (CONTINUED)

##### *Land under development and finished apartments*

Land held for sale or 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 held for sale or 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.

#### 11. FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

##### 11. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

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, the discount rate applied and the remaining duration of the projects.

Movements for the year were as follows:

|                                    | FVTPL- debt instruments<br>(Pymble)<br>\$'000 | FVTPL-debt instruments<br>(Auburn)<br>\$'000 |
|------------------------------------|-----------------------------------------------|----------------------------------------------|
| Balance at 31 December 2019        | 29,243                                        | -                                            |
| Investments in projects            | 767                                           | 52,096                                       |
| Change in fair value               | 4,916                                         |                                              |
| Return from projects               | -                                             | -                                            |
| <b>Balance at 31 December 2020</b> | <b>34,926</b>                                 | <b>52,096</b>                                |
| Current financial assets           | 32,525                                        | -                                            |
| Non-current financial assets       | 2,401                                         | 52,096                                       |
| <b>Balance at 31 December 2020</b> | <b>34,926</b>                                 | <b>52,096</b>                                |

##### *Financial assets at fair value through profit or loss (Pymble and Auburn Projects)*

Financial assets at fair value through profit or loss (FVTPL) represents debt instrument 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 and Auburn Projects, the investments have been classified as at FVTPL as they do 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. Refer to note 4 in respect to further information pertaining to the key estimates and judgements made by management in determining the appropriate accounting treatment for these investments.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 12. LOAN RECEIVABLE MEASURED AT AMORTISED COST

|                                     | Group               |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 31 December<br>2020 | 31 December<br>2019 |
|                                     | \$'000              | \$'000              |
| Loan receivable from Pymble Project | 18,227              | 16,165              |
| Total                               | 18,227              | 16,165              |

The Group provided an additional loan of \$329,000 advanced in cash to LFD Developments Pty Ltd ('LFD') during 2020 for costs of the land purchased for the Pymble Project and other development related expenses. 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 \$1,733,000 for the year has been capitalised on the loan balance as at 31 December 2020.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 12. LOAN RECEIVABLE MEASURED AT AMORTISED COST (CONTINUED)

##### 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 2020 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2019: \$Nil). For further information about the credit risk on these assets, refer to note 5.

#### 13. NON-CURRENT ASSETS HELD-FOR-SALE

|                                  | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|----------------------------------|-------------------------------|-------------------------------|
| Non-current asset held-for-sale* | -                             | 1,350                         |

\*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.

##### 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.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 13. NON-CURRENT ASSETS HELD-FOR-SALE (CONTINUED)

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.

#### 14. OTHER ASSETS

|                  | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|------------------|-------------------------------|-------------------------------|
| <b>Current</b>   |                               |                               |
| Prepaid expenses | 209                           | 263                           |
| Other deposits   | 228                           | 275                           |
|                  | <u>437</u>                    | <u>538</u>                    |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 15. TRADE AND OTHER PAYABLES

|                              | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|------------------------------|-------------------------------|-------------------------------|
| <b>Current</b>               |                               |                               |
| <i>Unsecured</i>             |                               |                               |
| Trade creditors              | 3                             | 1,017                         |
| Contract Liabilities         | 32                            | -                             |
| Other creditors and accruals | 554                           | 570                           |
|                              | <b>589</b>                    | <b>1,587</b>                  |

#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

| 16. BORROWINGS                    | 31 December   | 31 December   |
|-----------------------------------|---------------|---------------|
|                                   | 2020          | 2019          |
|                                   | \$'000        | \$'000        |
| <b>Current</b>                    |               |               |
| Unsecured loan from parent entity | -             | -             |
| <b>Non - Current</b>              |               |               |
| Unsecured loan from parent entity | 84,657        | 23,000        |
|                                   | <b>84,657</b> | <b>23,000</b> |

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 and further increased to \$92,000,000 in June 2020. The balance of the unused facility funds available to the group at 31 December 2020 was \$7,343,000 (31 December 2019: \$3,000,000).

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 2022. The loan facility with Oasis Star Limited was at an average interest rate of 4.09% p.a.

The Group's bank facilities also include a bank guarantee line of credit of \$100,000 (31 December 2019 \$100,000). As at 31 December 2020 the bank guarantee line of credit is drawn to \$41,000 (31 December 2019: \$83,000).

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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 17. PROVISIONS

|                              | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|------------------------------|-------------------------------|-------------------------------|
| Employee benefit current     | 115                           | 91                            |
| Employee benefit non-current | 58                            | 49                            |
|                              | <u>173</u>                    | <u>140</u>                    |

#### Recognition and measurement

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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 17. PROVISIONS (CONTINUED)

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 | 82 | 60 |
|---------------------------------------------------------------------|----|----|

#### 18. CONTRIBUTED EQUITY

##### Movement in ordinary share capital

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

| Date                                     | Details | # of shares |            | Value of shares    |                   |
|------------------------------------------|---------|-------------|------------|--------------------|-------------------|
|                                          |         | Movement    | Balance    | Movement<br>\$'000 | Balance<br>\$'000 |
| 31 December 2019 and<br>31 December 2020 |         | -           | 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

#### 19. DIVIDENDS

There were no dividends declared and paid or payable during the year (year ended 31 December 2019: nil) and no dividends have been proposed since the end of the year.

|                          | Company     |             |
|--------------------------|-------------|-------------|
|                          | 31 December | 31 December |
|                          | 2020        | 2019        |
|                          | \$'000      | \$'000      |
| Franking credit balance  |             |             |
| Franking account balance | 1,106       | 1,106       |

The tax rate at which dividends have been franked is 30% (31 December 2019: 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 20. 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<br>31 December<br>2020<br>\$'000 | Year ended<br>31 December<br>2019<br>\$'000 |
|--------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net loss attributable to Shareholders from continuing operations               | (24,301)                                    | (3,672)                                     |
|                                                                                | # 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                                       |                                             |
| Basic loss per share                                                           | (28.06)                                     | (4.24)                                      |
| Diluted loss per share                                                         | (28.06)                                     | (4.24)                                      |

#### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

##### 21. 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<br>31 December<br>2020 | Year ended<br>31 December<br>2019 |
|------------------------------|-----------------------------------|-----------------------------------|
|                              | \$                                | \$                                |
| Short-term employee benefits | 634,429                           | 333,373                           |
| Long-term employee benefits  | 30,564                            | -                                 |
| Post-employment benefits     | 50,771                            | 19,546                            |
| Share based payments         | -                                 | -                                 |
|                              | <u>715,764</u>                    | <u>352,919</u>                    |



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 22. RELATED PARTY DISCLOSURE

##### Subsidiaries

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

| Name of Entity                                                               | Country of Registration | Equity Interest |           | Investment     |                |
|------------------------------------------------------------------------------|-------------------------|-----------------|-----------|----------------|----------------|
|                                                                              |                         | 2020<br>%       | 2019<br>% | 2020<br>\$'000 | 2019<br>\$'000 |
| CP Development Pty Limited <sup>1</sup>                                      | Australia               | 100             | 100       | 2,162          | 2,162          |
| Wannunup Development Nominees Pty Limited <sup>1,5</sup>                     | Australia               | 100             | 100       | -              | -              |
| Point Grey Development Company Pty Limited <sup>1,3</sup>                    | Australia               | 100             | 100       | -              | -              |
| Tian An Real Estate Pty Limited (formerly PBD Realty Pty Ltd) <sup>1,3</sup> | Australia               | 100             | 100       | -              | -              |
| Peel Water Pty Limited <sup>1</sup>                                          | Australia               | 100             | 100       | 8,000          | 8,000          |
| PBD (The Milton) Pty Limited <sup>1,4,6</sup>                                | Australia               | -               | 100       | -              | -              |
| PBD (Yang Land) Pty Limited <sup>1,4</sup>                                   | Australia               | 100             | 100       | -              | -              |
| Tian An Funds Management Limited                                             | Australia               | 100             | 100       | 150            | 150            |
| Tian An Pymble Pty Ltd <sup>1,4</sup>                                        | Australia               | 100             | 100       | -              | -              |
| Tian An Auburn Pty Ltd <sup>1,4</sup>                                        | Australia               | 100             | -         | -              | -              |
| Tian An Enfield Pty Limited <sup>1,3</sup>                                   | Australia               | 100             | 100       | -              | -              |
|                                                                              |                         |                 |           | 10,312         | 10,312         |

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

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

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

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

<sup>5</sup> These entities have a cost of investment of \$4, which due to rounding is shown as nil in the above table

<sup>6</sup> Deregistered on 3 September 2020

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 22. 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, which is listed on the Stock Exchange of Hong Kong.

##### Key management personnel

Disclosures relating to relating key to key management personnel are set out in Note 21 and the Remuneration Report in the Directors' Report.

##### Oasis Star

In April 2018 the Group entered into a \$20,000,000 loan facility with Oasis Star Limited (subsequently increased to \$92,000,000). 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 \$2,372,000 were made during the year (year ended 31 December 2019: \$942,000) to Oasis Star Limited.

The Group entered 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. Fees of \$390,000 were made during the year (year ended 31 December 2019: \$nil).

##### 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 23. REMUNERATION OF AUDITORS

|                                                                                                | Year ended<br>31 December<br>2020<br>\$ | Year ended<br>31 December<br>2019<br>\$ |
|------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Amounts received or due and receivable by BDO Audit Pty Ltd and their affiliated entities for: |                                         |                                         |
| - an audit and review of the financial report                                                  | 101,678                                 | 102,850                                 |
| - tax compliance and advice                                                                    | 37,664                                  | 20,551                                  |
|                                                                                                | <u>139,342<sup>1</sup></u>              | <u>123,401<sup>1</sup></u>              |

<sup>1</sup> Total excludes fees paid or payable for audit / non-audit services to entities controlled directly by Tian An China Investments Company Limited. Fees excluded are \$27,810 (2019: \$35,050) of which \$10,110 (2019: \$2,550) is for non-audit services.

#### 24. EXPENDITURE COMMITMENTS

##### Operating lease commitments

Future minimum rentals payable under operating leases at 31 December are:

|                                             |           |           |
|---------------------------------------------|-----------|-----------|
| Within one year                             | 9         | 81        |
| After one year but not more than five years | 18        | -         |
| More than five years                        | -         | -         |
|                                             | <u>27</u> | <u>81</u> |

The operating lease commitments relate to the IT and Telephony services.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 24. EXPENDITURE COMMITMENTS (CONTINUED)

|                                                                                | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|--------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>Capital commitments</b>                                                     |                               |                               |
| 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                               | 11                            | 105                           |
| Enfield development                                                            | 12                            | 214                           |
| Pymble development                                                             | -                             | 875                           |
| Auburn development                                                             | 2,904                         | -                             |
|                                                                                | <b>2,927</b>                  | <b>1,324</b>                  |

#### 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 the Enfield development represent initial planning costs.

The capital commitments in relation to Auburn represent initial construction costs. Under the terms of the development agreement for The Pymble and Auburn developments, the Group is required to make additional capital contributions to the project in the event of funding shortfalls to cover project costs.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 25. CONTINGENCIES

##### Contingent liabilities

The Group has provided guarantees in respect of:

|                             |           |           |
|-----------------------------|-----------|-----------|
| Wyndham City Council        | 41        | 66        |
| City West Water Corporation | -         | 17        |
|                             | <u>41</u> | <u>83</u> |

The Group has access to bank guarantee facilities from St. George Bank and National Australia Bank. The facility limit at 31 December 2020 is \$100,000 and \$nil respectively (31 December 2019: St George \$100,000, NAB \$Nil) and the unused limit at 31 December 2020 is \$59,000 and Nil respectively (31 December 2019: St George \$17,000 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 (2019: \$44,130,000) 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 2020 (2019: \$nil).

#### 26. SEGMENT INFORMATION

##### Recognition and measurement

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

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

### 26. SEGMENT INFORMATION (CONTINUED)

|                                                                    | Property Development      |                           |
|--------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                    | Year ended<br>31 December | Year ended<br>31 December |
|                                                                    | 2020<br>\$'000            | 2019<br>\$'000            |
| Revenue from external customers                                    | -                         | 1,524                     |
| Finance revenue                                                    | 1,737                     | 1,397                     |
| Total revenue                                                      | 1,737                     | 2,921                     |
| Loss before income tax                                             | (24,301)                  | (3,672)                   |
| Income tax expense                                                 | -                         | -                         |
| Loss after income tax                                              | (24,301)                  | (3,672)                   |
| The following items are included in the net loss after income tax: |                           |                           |
| Depreciation and amortisation                                      | (81)                      | (91)                      |
| Finance costs                                                      | (2,372)                   | (942)                     |
|                                                                    | (2,453)                   | (1,033)                   |
| Total segment assets includes:                                     |                           |                           |
| Financial assets                                                   | 108,368                   | 47,653                    |
| Total segment assets                                               | 166,685                   | 130,294                   |
| Total segment liabilities                                          | (85,419)                  | (24,727)                  |
|                                                                    | 81,266                    | 105,567                   |

# TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

### 27. NOTES TO STATEMENT OF CASH FLOWS

|                                                                               | Year ended<br>31 December<br>2020<br>\$'000 | Year ended<br>31 December<br>2019<br>\$'000 |
|-------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Reconciliation of net loss to net cash flows from/(used in) operations</b> |                                             |                                             |
| Loss after income tax expense                                                 | (24,301)                                    | (3,672)                                     |
| <b>Adjustments for:</b>                                                       |                                             |                                             |
| Depreciation and amortisation                                                 | 81                                          | 91                                          |
| Impairment of Enfield/Point Grey                                              | 26,055                                      | 7,894                                       |
| Fair value (gain) on financial asset                                          | (4,916)                                     | (6,823)                                     |
| Interest capitalised to loan receivable                                       | (1,733)                                     | (1,377)                                     |
| <b>Changes in assets and liabilities</b>                                      |                                             |                                             |
| (Increase) / decrease in trade and other receivables                          | (84)                                        | (18)                                        |
| (Increase) / decrease in inventories                                          | (1,873)                                     | 192                                         |
| (Increase) / decrease in other assets                                         | 107                                         | 385                                         |
| Increase / (decrease) in trade and other payables                             | (998)                                       | 851                                         |
| (Decrease) / increase in provisions                                           | 33                                          | (48)                                        |
| Net cash flows (used in) operating activities                                 | (7,629)                                     | (2,525)                                     |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 28. DEED OF CROSS GUARANTEE

At 31 December 2020 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.



## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 28. DEED OF CROSS GUARANTEE (CONTINUED)

|                                                                       | Year ended<br>31 December<br>2020<br>\$'000 | Year ended<br>31 December<br>2019<br>\$'000 |
|-----------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>(a) Statement of profit or loss and other comprehensive income</b> |                                             |                                             |
| Other revenue                                                         | 4                                           | 1,547                                       |
| <b>Revenue</b>                                                        | <b>4</b>                                    | <b>1,547</b>                                |
| Other income                                                          | 589                                         | 129                                         |
| Cost of goods sold                                                    | -                                           | (1,742)                                     |
| Employee benefits expense                                             | (569)                                       | (536)                                       |
| Non-executive Director fees                                           | (275)                                       | (241)                                       |
| Impairment of Oceanique                                               | -                                           | (168)                                       |
| Finance costs                                                         | (99)                                        | (33)                                        |
| Repairs and maintenance                                               | (12)                                        | (18)                                        |
| Rental expenses                                                       | (176)                                       | (134)                                       |
| Rates and taxes                                                       | (80)                                        | (40)                                        |
| Depreciation and amortisation                                         | (89)                                        | (93)                                        |
| Consulting fees                                                       | (83)                                        | (60)                                        |
| Legal fees                                                            | (78)                                        | (36)                                        |
| Impairment expense                                                    | (26,055)                                    | -                                           |
| Other expenses                                                        | (707)                                       | (585)                                       |
| <b>Loss before income tax</b>                                         | <b>(27,630)</b>                             | <b>(2,010)</b>                              |
| Income tax expense                                                    | -                                           | -                                           |
| <b>Loss after tax from continuing operations</b>                      | <b>(27,630)</b>                             | <b>(2,010)</b>                              |
| <b>Total comprehensive (loss)</b>                                     | <b>(27,630)</b>                             | <b>(2,010)</b>                              |
| Accumulated losses at the beginning of the year                       | (198,114)                                   | (196,104)                                   |
| Loss for the year                                                     | (27,630)                                    | (2,010)                                     |
| <b>Accumulated losses at the end of the year</b>                      | <b>(225,744)</b>                            | <b>(198,114)</b>                            |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 28. DEED OF CROSS GUARANTEE (CONTINUED)

|  | Year ended<br>31 December | Year ended 31<br>December |
|--|---------------------------|---------------------------|
|  | 2020                      | 2019                      |
|  | \$'000                    | \$'000                    |

Set out below in (b) is a consolidated statement of financial position as at 31 December 2020 and 31 December 2019 for the entities that were parties to the Deed at these dates.

##### (b) Statement of financial position

###### Current Assets

|                                    |         |         |
|------------------------------------|---------|---------|
| Cash and cash equivalents          | 2,572   | 1,735   |
| Trade and other receivables        | 108     | 58      |
| Inventories                        | 2,173   | 823     |
| Intercompany loans                 | 144,353 | 111,130 |
| Other assets                       | 119     | 131     |
| Assets classified as held-for-sale | -       | 1,350   |

|                       |                |                |
|-----------------------|----------------|----------------|
| <b>Current Assets</b> | <b>149,325</b> | <b>115,227</b> |
|-----------------------|----------------|----------------|

###### Non-Current Assets

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Property, plant and equipment   | 10        | 96        |
| <b>Total Non-Current Assets</b> | <b>10</b> | <b>96</b> |

|                     |                |                |
|---------------------|----------------|----------------|
| <b>TOTAL ASSETS</b> | <b>149,335</b> | <b>115,323</b> |
|---------------------|----------------|----------------|

###### Current Liabilities

|                                  |            |               |
|----------------------------------|------------|---------------|
| Trade and other payables         | 100        | 148           |
| Borrowings                       | -          | 23,000        |
| Provisions                       | 115        | 91            |
| <b>Total Current Liabilities</b> | <b>215</b> | <b>23,239</b> |

###### Non-Current Liabilities

|                                      |               |           |
|--------------------------------------|---------------|-----------|
| Borrowings                           | 84,657        | -         |
| Provisions                           | 58            | 49        |
| <b>Total Non-Current Liabilities</b> | <b>84,715</b> | <b>49</b> |

|                          |               |               |
|--------------------------|---------------|---------------|
| <b>TOTAL LIABILITIES</b> | <b>84,930</b> | <b>23,288</b> |
|--------------------------|---------------|---------------|

|                   |               |               |
|-------------------|---------------|---------------|
| <b>NET ASSETS</b> | <b>64,405</b> | <b>92,035</b> |
|-------------------|---------------|---------------|

###### EQUITY

|                     |               |               |
|---------------------|---------------|---------------|
| Contributed equity  | 290,149       | 290,149       |
| Accumulated losses  | (225,744)     | (198,114)     |
| <b>TOTAL EQUITY</b> | <b>64,405</b> | <b>92,035</b> |

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

#### 29. PARENT ENTITY FINANCIAL INFORMATION

|  | Year ended 31<br>December | Year ended 31<br>December |
|--|---------------------------|---------------------------|
|  | 2020                      | 2019                      |
|  | \$'000                    | \$'000                    |

##### (a) Summary financial information

###### Summarised statement of financial position

|                          |                |                |
|--------------------------|----------------|----------------|
| Current assets           | 158,216        | 124,465        |
| Non-current assets       | 10             | 96             |
| <b>Total assets</b>      | <b>158,226</b> | <b>124,561</b> |
| Current liabilities      | 215            | 23,239         |
| Non-current liabilities  | 84,715         | 49             |
| <b>Total liabilities</b> | <b>84,930</b>  | <b>23,288</b>  |
| <b>Net assets</b>        | <b>73,296</b>  | <b>101,273</b> |

###### Equity

|                     |               |                |
|---------------------|---------------|----------------|
| Contributed equity  | 290,149       | 290,149        |
| Accumulated losses  | (216,853)     | (188,876)      |
| <b>Total equity</b> | <b>73,296</b> | <b>101,273</b> |

###### Summarised statement of profit or loss and other comprehensive income

|                                                         |                 |            |
|---------------------------------------------------------|-----------------|------------|
| Profit/(Loss) after income tax for the year             | (27,977)        | 429        |
| <b>Total comprehensive income / (loss) for the year</b> | <b>(27,977)</b> | <b>429</b> |

##### (b) Guarantees

The Company has provided no financial guarantees as at 31 December 2020 (31 December 2019: \$nil).

There are cross guarantees given by the Company, CP Development Pty Limited and Wannunup Development Nominees Pty Limited as described in Note 28.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

#### For the year ended 31 December 2020

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#### 29. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

The Company did not have a deficiency in assets as at 31 December 2020 or 31 December 2019. There were deficiencies of assets in CP Development Pty Limited and Wannunup Development Nominees Pty Limited as at 31 December 2020 and 31 December 2019.

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 2020 (31 December 2019: \$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 2020 or 31 December 2019.

#### (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.

#### 30. 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.

#### 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.

##### *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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 31. OTHER ACCOUNTING POLICIES (CONTINUED)

##### (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) 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.

##### (d) Joint arrangements

###### *Joint Ventures*

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

###### *Joint operations*

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

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory notes to the consolidated financial statements

For the year ended 31 December 2020

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#### 31. OTHER ACCOUNTING POLICIES (CONTINUED)

The Group's 100% owned subsidiary, Tian An Auburn Pty Ltd ('TIAA') has a preferred and residual profit distribution interest in a joint arrangement called the Auburn Square Project. Together with the joint venture partner, Linfield Auburn Pty Ltd ('Linfield Auburn') the unincorporated joint arrangement was established to develop 427 residential units and approximately 4,000 m<sup>2</sup> of retail shops and commercial space at 26-36 & 35 Northumberland Road Auburn NSW. The joint arrangement has been classified as a joint operation based on the rights and obligations established by the Joint Venture Agreement between TIAA and Linfield Auburn and the relevant activities not being operated in a separate vehicle.

#### 32. EVENTS OCCURRING AFTER THE REPORTING YEAR

The impact of the COVID-19 outbreak continues to evolve at the date of this report and therefore the impact of the pandemic on the Group's future financial results remains uncertain and will depend on future developments such as the duration and severity of the outbreak and government policies.

Other than the above, 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.

## TIAN AN AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

### Directors' Declaration

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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 2020 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 28 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 Brown**  
Chairman  
22 February 2021  
Sydney

## INDEPENDENT AUDITOR'S REPORT

To the members of Tian An Australia Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Tian An Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 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 2020 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 (including Independence Standards)* (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.



## Carrying value of financial assets

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As at 31 December 2020, the Group recognised financial assets of \$105,249,000, which comprised \$34,926,000 and \$18,227,000 (recorded as a loan receivable) in respect of the Group's investment in the Pymble Project and \$52,096,000 in respect of the Auburn Square Project, as disclosed in notes 11 and 12.</p> <p>These financial assets were considered a key audit matter given the significant judgements made by management in determining the appropriate accounting treatment, the overall value of these assets in the Consolidated Statement of Financial Position and the complexities involved in determining the appropriate fair value of the projects.</p> | <p>In order to address this key audit matter, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Together with BDO IFRS specialists, evaluating and assessing the accounting policies adopted by management against the requirements of Australian Accounting Standards.</li> <li>• Obtaining management's discounted cash flow ('DCF') models and performing the following audit procedures: <ul style="list-style-type: none"> <li>- Assessing the reasonableness of the key variables (as disclosed in note 5 and note 11) included in the DCF models which included validating these to external, publicly available information and current market data (where available).</li> <li>- Together with BDO valuation specialists, assessing the reasonableness of the discount rates applied by management.</li> <li>- Performing sensitivity analysis on the key inputs applied to the DCF models to assess the impact minor changes in the assumptions would have on the carrying value.</li> </ul> </li> </ul> |

## Carrying value of inventory

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As at 31 December 2020, the Group recognised inventory of \$58,098,000 which primarily consisted of the Point Grey Development Project of \$35,000,000 and the Enfield Project of \$20,925,000 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').</p> <p>The COVID-19 pandemic has resulted in economic uncertainty and a reduction in market transaction evidence. Management has addressed the higher risk through</p> | <p>In order to address this key audit matter, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the competence, capability and objectivity of the external valuation experts which included considering their experience and qualifications.</li> <li>• Obtaining and reviewing the external valuation reports and performing the following audit procedures: <ul style="list-style-type: none"> <li>- Critically analysing the key inputs within the reports and comparing these to external market data (where available) in addition to discussing key estimates and</li> </ul> </li> </ul> |

engaging external valuation experts to value the development projects. The external valuations comprise a number of property specific key estimates and assumptions.

The valuation of these development projects was considered a key audit matter due to the significant value of these assets in the Consolidated Statement of Financial Position, the key estimates and assumptions exercised by the external valuation experts and the impact that the COVID-19 pandemic has had on market conditions.

assumptions with management as well as the external valuation experts.

- Obtaining an understanding of any underlying changes in the project development approval status and market prices, particularly considering the impact the COVID-19 pandemic has had on market conditions.
- Assessing the adequacy of the impairment charge recognised during the financial year in respect to these development projects.
- Testing a sample of development expenses incurred during the year to ensure these costs were correctly capitalised into inventory.

#### 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 2020, 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020.

In our opinion, the Remuneration Report of Tian An Australia Limited, for the year ended 31 December 2020, 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 Audit Pty Ltd**

BDO  


**Martin Coyle**  
Director

Sydney, 22 February 2021