Tian An Australia Limited

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

Appendix 4D and Financial Report for the half-year ended 30 June 2021

This half-year financial report constitutes the Appendix 4D prepared in accordance with ASX Listing Rules and the *Corporations Act 2001*. This half-year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 31 December 2020 and any public announcements made by Tian An Australia Limited during the intervening period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Tian An Australia Limited

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

Appendix 4D
for the half-year ended 30 June 2021

(previous corresponding period being the half-year ended 30 June 2020)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$'000	Up / Down	% movement
Revenue	-	-	NC
Profit after tax attributable to Shareholders	281	Down	21%

NC – Not comparable with previous half-year period.

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

Additional information	30 June 2021	30 June 2020
Net tangible assets (**NTA**) per Share – cents	94	122

Commentary on the results for the period can be found in the attached 30 June 2021 half-year Directors' report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the 30 June 2021 half-year financial report.

Hai-Young Lu
Company Secretary

Sydney
13 August 2021

Tian An Australia Limited
30 June 2021 Half-Year Financial Report

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GENERAL INFORMATION

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

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

Level 6, 99 Macquarie Street
Sydney NSW 2000

Principal Activities

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 August 2021.

The Directors present their report on the Group, consisting of Tian An Australia Limited ('TIA') and its controlled entities (the 'Group') for the half-year ended 30 June 2021 and the Independent Auditor's Review Report thereon.

DIRECTORS

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

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

REVIEW AND RESULTS OF OPERATIONS

The COVID-19 global pandemic has created challenging conditions across businesses. The Directors and Management are continuing to evaluate the unpredictability of the COVID-19 situation and the potential future impact on asset values. TIA is in a solid capital position and has the continuing financial support from Tian An China Investments Company Limited, the company's ultimate parent entity. TIA's management has also successfully implemented its business continuity plans. Despite the economic and financial impacts of COVID-19, the company continues to capitalise on its strategic investment opportunities and the improving Australian property market.

The Group has completed construction at its Cascade Gardens, Pymble project. The project is in the process of selling down its completed stock. Over the past 6 months TIA received $10,000,000 in proceeds from the project. Construction and pre-sales have commenced at Auburn Square, with the first stage construction due to be completed in late 2022. The Group has recently obtained development approvals for its Enfield project and is considering its options at its Point Grey project.

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

- Obtained DA on its Enfield site to develop 70 townhouses.
- Continued with settlements at Cascade Gardens, Pymble, receiving $10,000,000 in proceeds over the past 6 months.
- Construction and presales at Auburn Square have commenced.
- Continued discussions with authorities in relation to its Point Grey project.

For the half-year ended 30 June 2021, the Group reported a statutory profit after tax of $281,000 (2020: profit of $356,000).

The underlying loss for the Group was $2,403,000, compared with an underlying loss of $968,000 recorded in the previous corresponding half-year. Key reconciling items between the Group's statutory profit and underlying loss are:

	For the half year ended	For the half year ended
	30 June 2021 $	30 June 2020 $
Net profit after tax attributable to Shareholders	**281,000**	**356,000**
Fair value gain on financial assets	(2,684,000)	(1,324,000)
Underlying loss after tax [1]	(2,403,000)	(968,000)

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

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

Portfolio Update

Western Australia

Oceanique, Mandurah (**Oceanique**)

There is currently one apartment available for sale.

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

Management is currently evaluating its options in relation to the marina precinct.

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

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

Lot 370 currently is available for sale.

Eastern Seaboard

Enfield, NSW (**Enfield**)

A development application for a 70 lot townhouse development has been approved by council in May 2021. A sales launch is anticipated in Q1 2022.

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

Construction has completed on the 93-apartment site in Sydney's North Shore. Settlements have commenced and sales to date have been solid.

Auburn Square, Auburn NSW **(Auburn)**

Construction and pre-sales have commenced for the delivery of 427 units at Auburn Square, Auburn. Sales to date have been progressing well with buyers taking advantage of the government assistance grants. The project has also secured bank funding, subject to meeting some conditions precedent.

Short Term Outlook

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

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

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

ROUNDING

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

Signed in accordance with a resolution of the Directors:

Peter Brown
Chairman
Sydney
13 August 2021

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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ELYSIA ROTHWELL TO THE DIRECTORS OF TIAN AN AUSTRALIA LIMITED

As lead auditor for the review of Tian An Australia Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Elysia Rothwell
Director

BDO Audit Pty Ltd

Sydney, 13 August 2021

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 30 June 2021

	Note	Group Half year ended 30 June 2021 $'000	Group Half year ended 30 June 2020 $'000
Revenue		-	-
Cost of sales		-	-
Other income		270	473
Advertising and marketing		(1)	(5)
Employee benefits		(506)	(421)
Non-executive director fees		(138)	(138)
Depreciation and amortisation		(28)	(42)
Loss on disposal of property, plant and equipment		(1)	-
Rates and taxes		(290)	(335)
Repairs and maintenance		(33)	(25)
Consultants and legal fees		(50)	(185)
Rental expenses		(63)	(107)
Net increase in fair value of financial assets at fair value through profit or loss	6	2,684	1,324
Other expenses from continuing operations		(484)	(363)
Operating profit		**1,360**	**176**
Finance income		864	860
Finance costs		(1,943)	(680)
Net finance (costs) / income		**(1,079)**	**180**
Profit before income tax		**281**	**356**
Income tax expense		-	-
Profit after income tax for the half-year attributable to the owners of TIA		**281**	**356**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of TIA		**281**	**356**
Earnings per share (cents per share)			
Basic earnings per share		0.32	0.41
Diluted earnings per share		0.32	0.41

Consolidated statement of financial position
As at 30 June 2021

	Note	Group	
		30 June 2021	31 December 2020
		$'000	$'000
Current assets			
Cash and cash equivalents		6,663	2,727
Trade and other receivables		210	164
Inventories	2	2,173	2,173
Financial assets at fair value through profit or loss	6	24,396	32,525
Other assets		410	437
Total current assets		**33,852**	**38,026**
Non-current assets			
Inventories	2	56,315	55,925
Financial assets at fair value through profit or loss	6	61,146	54,497
Loan receivable	7	19,089	18,227
Right of use asset		154	-
Property, plant and equipment		70	10
Total non-current assets		**136,774**	**128,659**
TOTAL ASSETS		**170,626**	**166,685**
Current liabilities			
Trade and other payables		559	589
Borrowings	8	88,157	-
Lease liability		55	-
Provisions		140	115
Total current liabilities		**88,911**	**704**
Non-current liabilities			
Borrowings	8	-	84,657
Lease liability		101	-
Provisions		67	58
Total non-current liabilities		**168**	**84,715**
TOTAL LIABILITIES		**89,079**	**85,419**
NET ASSETS		**81,547**	**81,266**
Equity			
Contributed equity	3	290,149	290,149
Accumulated losses		(208,602)	(208,883)
Total equity		**81,547**	**81,266**

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

	Contributed equity	Accumulated losses	Total
	$'000	**$'000**	**$'000**
Balance at 1 January 2020	290,149	(184,582)	105,567
Profit for the period	-	356	356
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	356	356
Balance at 30 June 2020	**290,149**	**(184,226)**	**105,923**
Balance at 1 January 2021	290,149	(208,883)	81,266
Profit for the period	-	281	281
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	281	281
Balance at 30 June 2021	**290,149**	**(208,602)**	**81,547**

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

Consolidated statement of cash flows
For the half-year ended 30 June 2021

	Note	Group Half year ended 30 June 2021 $'000	Group Half year ended 30 June 2020 $'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,989)	(3,652)
Interest received		2	3
Finance costs including interest and other costs of finance paid		(1,943)	(680)
Other income		270	223
Net cash used in operating activities		**(3,660)**	**(4,106)**
Cash flows from investing activities			
Payments for property, plant and equipment		(67)	(4)
Payments for financial assets - Pymble		-	(767)
Payments for financial assets - Auburn	6	(5,836)	(4,000)
Receipts from financial assets - Pymble		10,000	(329)
Net cash flows from / (used in) investing activities		**4,097**	**(5,100)**
Cash flows from financing activities			
Proceeds from borrowings	8	3,500	8,000
Net cash flows from financing activities		**3,500**	**8,000**
Net increase / (decrease) in cash and cash equivalents		3,937	(1,206)
Cash and cash equivalents at the beginning of the period		2,727	1,890
Cash and cash equivalents at the end of the period		**6,664**	**684**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Tian An Australia Limited (**TIA**) is domiciled and incorporated in Australia. Its registered office and principal place of business is Level 6, 99 Macquarie Street, Sydney, New South Wales. The financial report of TIA consists of the financial statements of TIA and its controlled entities (**Group**). The financial report is presented in Australian dollars.

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

(a) Basis of preparation

These general purpose financial statements for the half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements for the half-year do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the period ended 31 December 2020 and any public announcements made by TIA during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(b) Use of judgements and estimates

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

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

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

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

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

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

(d) Going concern

This half year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. During the half year ended 30 June 2021, the Group incurred a net profit after tax of $281,000 (June 2020: $356,000), and as at 30 June 2021, the Group had cash reserves of $6,663,000 (December 2020: $2,727,000) and net current liabilities of $55,059,000 (December 2020: net current assets of $37,322,000). The net current liability position at 30 June 2021 arose due to the classification of the related party borrowing with Oasis Star Limited of $88,157,000 which has been classified as current at the reporting date, as it is due for repayment in June 2022.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the potential impact of the COVID-19 pandemic including the current lock down impacts in Australia on the Group's operations, which have been largely unaffected. The Group has prepared a detailed cash flow forecast which estimates a positive cash position over the 12-month period from the date of authorisation of this report. However, if revenue targets from sales of Pymble project do not eventuate and additional costs are incurred (resulting in a higher than anticipated cash burn) additional equity and/or debt financing could be required.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notwithstanding the above, to date, the Group has received continuing financial support from Tian An China Investment's Company Limited, the company's ultimate parent entity and the parent entity of Oasis Star Limited. The Company has received of a letter of support from Tian An China Investments Company Limited confirming that it will provide financial support to enable the Company to meet its liabilities as and when they fall due for a period of at least one year from the date of signing of the half-year financial report. It also confirmed that it will not seek repayment of the borrowing, except to the extent that funds become available. The Directors have considered the ability and intention of Tian An China Investments Company Limited's support in coming to their conclusion that the going concern assumption is appropriate with reference to historical evidence of borrowing extensions and the ultimate parent entity's financial position and cash reserves.

Should the Group not be able to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2. INVENTORIES

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

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

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

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

	Group	
	30 June 2021	**31 December 2020**
	$'000	**$'000**
Current		
Finished apartments		
Cost of acquisition	15	15
Development and other costs	2,194	2,194
Capitalised interest	263	263
Impairment provision	(1,649)	(1,649)
Total	**823**	**823**
Land held for sale		
Lower of cost and recoverable value	1,350	1,350
Total	**1,350**	**1,350**
Total current	**2,173**	**2,173**

2. INVENTORIES (CONTINUED)

	Group	
	30 June 2021	31 December 2020
	$'000	$'000
Non-current		
Land under development		
Cost of acquisition	132,496	132,496
Development and other costs	15,097	14,707
Capitalised interest	1,480	1,480
Impairment provision	(92,758)	(92,758)
Total non-current	**56,315**	**55,925**
Total inventories net of impairment	**58,489**	**58,098**

3. CONTRIBUTED EQUITY

	Group	
	30 June 2021	31 December 2020
	$'000	$'000
Issued capital		
Ordinary share capital	290,149	290,149
Movements in ordinary share capital		
Balance at the beginning of the period	290,149	290,149
Shares issued	-	-
Transactions costs	-	-
Balance at the end of the period	**290,149**	**290,149**

4. DIVIDENDS

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

5. SEGMENT INFORMATION

In accordance with *AASB 8 Operating Segments*, the Group has assessed for the half-year reporting period ended 30 June 2021 what information is necessary to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Based upon this assessment, the Board of Directors of the Group determined that it operated in only one business segment, being residential property development in Australia. Operating results of the residential property development business segment are regularly reviewed by the Board to make decisions about resource allocation to that business and assess its performance.

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE

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.

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

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.

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).

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).

Measurement of financial assets

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

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

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

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

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

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6. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

Movements for the half-year were:

	FVTPL (Pymble)	FVTPL (Auburn)	TOTAL
	$'000	$'000	$'000
1 January 2021	34,926	52,096	87,022
Investments in projects	-	5,836	5,836
Return from projects	(10,000)	-	(10,000)
Change in fair value	2,684	-	2,684
30 June 2021	**27,610**	**57,932**	**85,542**
Current financial assets	24,396	-	24,396
Non-current financial assets	3,214	57,932	61,146
30 June 2021	**27,610**	**57,932**	**85,542**

As the Group does not expect to receive all the remaining cash flows from the Pymble project within 12 months, a portion of the investment balance has been classified in non-current assets as at 30 June 2021. The Group is not expected to receive any proceeds from the Auburn project within 12 months and therefore the entire investment balance has been classified in non-current assets.

The change in the fair value of the Pymble project of $2,684,000 recognised during the half-year period was due to the re-measurement and timing of the expected cash flows to be received from the project. The movement in the fair value has been recognised in the statement of profit and loss and other comprehensive income.

(i) Valuation inputs and relationships to fair value

The unobservable inputs were the discount rate used in discounting the estimated cash flows to their net present value and the expected net cash flows 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 investments as follows:

30 June 2021

	Pymble Profit or loss ($'000)	Auburn Profit or loss ($'000)
	Increase/(Decrease)	**Increase/(Decrease)**
Expected cash flow (increase of 10%)	2,761	5,790
Expected cash flow (decrease of 10%)	(2,761)	(5,790)
Discount rates (increase by 5%)	(428)	(7,308)
Discount rates (decrease by 5%)	428	8,740
Remaining duration of project used to calculate NPV (10% delays)	(638)	(383)

(ii) Valuation processes

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

- Discount rates: these are determined using both internal management reviews and external valuers which reflect the current market assessment of the time value of money and the risk associated with the asset.

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

- Expected cash flow: these are based on the expected costs of development, construction and financing activities as well as the proceeds from the sales of the projects assets. These estimates are based on the Group's knowledge of the development, and how the current economic environment is likely to impact the demand for residential accommodation over the life of the project.

7. OTHER FINANCIAL ASSETS AT AMORTISED COST

	Group	
	30 June 2021	**31 December 2020**
	$'000	**$'000**
Loan receivable from Pymble Project	19,089	18,227
Total	19,089	18,227

The Group provided loans of $14,480,000 to LFD Pymble Pty Ltd ('LFD') for cost of the land purchased and development costs for the Pymble Project. The loan is charged at an interest of 12% per annum until the loan is fully repaid and is secured by a personal guarantee form the sole director of LFD. A total interest charge of $4,609,000 has been capitalised on the loan balance as at 30 June 2021.

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 30 June 2021 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2020: $Nil).

8. BORROWINGS

	Group	
	30 June 2021	**31 December 2020**
	$'000	**$'000**
Loan from parent entity		
Current Borrowings	88,157	-
Non-Current Borrowings	-	84,657
Total	88,157	84,657

The Group entered into a $20,000,000 loan facility with Oasis Star Limited on 26 April 2018 with interest of approx. 4% per annum, payable monthly in arrears plus the cost of the bank loan facility available to Oasis Star Limited. The loan facility was subsequently increased to $92,000,000 on 1 June 2020 with the repayment date also been extended to 1 June 2022. The loan is unsecured. Refer to note 10 for further details.

9. EVENTS AFTER BALANCE SHEET DATE

In Australia, the COVID-19 outbreak has developed rapidly since June 2021, with a significant number of infections. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such safety and health measures for our people (like social distancing and working from home). At this stage, the impact on our business, development projects and results is uncertain. There may be some impact on project valuations. In determining the value of our assets it is necessary to make assumptions in relation project cashflows, the timing of these cashflows and the discount rates. There may be delays in construction as well as sales. The impact of the COVID-19 outbreak is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. We will continue to follow government policies and advice.

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

10. RELATED PARTY TRANSACTIONS

The Group has a loan facility of $92,000,000 loan with Oasis Star Limited. The facility expires on 1 June 2022. Oasis Star Limited is Tian An Australia's largest shareholder, owning 76.7% of its shares. Oasis Star Limited is a 100% owned subsidiary of Tian An China Investments Company Limited which is 48.66% indirectly held by Allied Properties (H.K.) Limited.

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

- the attached Financial Statements and Notes thereto of the Group comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached Financial Statements and Notes thereto of the Group give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Peter Brown
Chairman
Sydney
13 August 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tian An Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Tian An Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

Rothwell

Elysia Rothwell
Director

Sydney, 13 August 2021