

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 2023

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 2022 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 2023

(previous corresponding period being the half-year ended 30 Jun 2022)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	\$'000	Up / Down	% movement
Revenue	-	-	NC
Loss after tax attributable to Shareholders	(4,396)	Down	75%

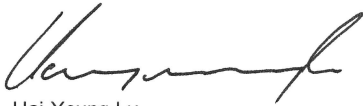
NC – Not comparable with previous half-year period.

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

Additional information	30 June 2023	30 June 2022
Net tangible assets (NTA) per Share – cents	66	75

Commentary on the results for the period can be found in the attached 30 June 2023 half-year Directors' report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the 30 June 2023 half-year financial report.



Hai-Young Lu
Company Secretary

Sydney
11 August 2023

Tian An Australia Limited

30 June 2023 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 11 August 2023.

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 2023 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 Curry	Chairman, Non-Executive Director	Full half-year, Chairman, commencing 1 July 2023
Peter Brown	Chairman, Independent Non-Executive Director	Resigned 30 June 2023
Arthur Dew	Non-Executive Director	Resigned 19 May 2023
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	Resigned 19 May 2023

REVIEW AND RESULTS OF OPERATIONS

Following rising inflation and subsequently interest rate hikes, the property market has shown signs of moderating. Construction and labour costs on projects which have commenced have been steady, as we have signed fixed price construction contracts. Directors and Management are continuing to evaluate the economic environment and the potential future impact on asset values. TIA is in a good capital position and has the continuing financial support from Tian An China Investments Company Limited, the company's ultimate parent entity. TIA will continue to seek opportunities within its investment targets.

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

Completed stage 1 construction at Auburn Square, Auburn. Commencement of settlements.

Continued with presales and construction at The Henley, Enfield.

Construction at The Peninsula has continued. The project has only one available dwelling for sale.

Submitted its planning approvals for its Chatswood project, with a view to a launch later this year.

Continued discussions with authorities in relation to its Point Grey project.

For the half-year ended 30 June 2023, the Group reported a statutory loss after tax of \$4,396,000 (2022: loss of \$17,802,000).

The underlying loss for the Group was \$4,858,000, compared with an underlying loss of \$3,013,000 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 30 June 2023 \$	For the half year ended 30 June 2022 \$
Net loss after tax attributable to Shareholders	(4,396,000)	(17,802,000)
Fair value gain on financial assets	(463,000)	(281,000)
Impairment of Point Grey	-	15,071,000
Underlying loss after tax ¹	(4,859,000)	(3,012,000)

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, subject to meeting the requirements of the tax legislation.

Portfolio Update*Western Australia*Point Grey and Peel Water, Point Grey, WA (Point Grey)

Management is currently meeting with council to amend the structure scheme for the Point Grey site. Management will engage with consultants and the local community to seek the needs for the area.

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

Lot 370 currently is available for sale.

*Eastern Seaboard*The Henley, Enfield, NSW (The Henley)

Sales have been progressing well, with over 50% of the townhouses presold. Construction is continuing and is due to complete by late 2024.

Auburn Square, Auburn, NSW (Auburn Square)

Stage 1 construction has been completed and settlements have commenced. Sales to date have been steady.

The Peninsula, Hope Island, QLD (The Peninsula)

Construction is progressing at The Peninsula. The development has almost fully sold out. The project is expected to be completed by early 2024.

Cascade Gardens, Pymble, NSW (Cascade Gardens)

There remains one apartment and one retail lot remaining for sale.

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

In Australia, inflation, interest rates and construction costs has continued to increase in 2023. There has been some minor movement on the company's project valuations. At this stage, any further impacts on our business, development projects and results is uncertain. 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 future delays in construction as well as the projected timing of sales forecasted.

The Oasis Star loan facility was increased from \$140,000,000 to \$160,000,000 in August 2023 to assist with the project investments and operating costs of the business.

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.

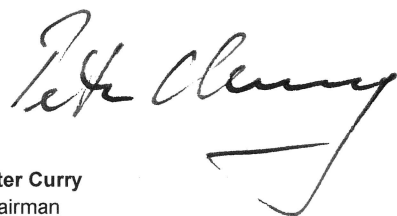
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 Curry
Chairman
Sydney
11 August 2023

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 2023, 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.

A handwritten signature in black ink, appearing to read 'E Rothwell', written in a cursive style.

Elysia Rothwell
Director

BDO Audit Pty Ltd
Sydney, 11 August 2023

	Note	Group	
		Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000
Revenue		-	-
Other income		171	156
Advertising and marketing		(111)	(228)
Employee benefits		(615)	(598)
Non-executive director fees		(147)	(138)
Commissions and discounts		(270)	(375)
Depreciation and amortisation		(437)	(172)
Rates and taxes		(123)	(117)
Repairs and maintenance		(20)	(33)
Consultants and legal fees		(126)	(93)
Rental expenses		(10)	(9)
Net increase in fair value of financial assets at fair value through profit or loss	6	463	281
Impairment of inventories	2	-	(15,071)
Other expenses from continuing operations		(407)	(319)
Operating loss		(1,632)	(16,716)
Finance income		486	262
Finance costs		(3,250)	(1,348)
Net finance costs		(2,764)	(1,086)
Loss before income tax		(4,396)	(17,802)
Income tax expense		-	-
Loss after income tax for the half-year attributable to the owners of TIA		(4,396)	(17,802)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of TIA		(4,396)	(17,802)
Earnings per share (cents per share)			
Basic earnings per share		(5.08)	(20.56)
Diluted earnings per share		(5.08)	(20.56)

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

	Note	Group 30 June 2023 \$'000	31 December 2022 \$'000
Current assets			
Cash and cash equivalents		3,058	2,703
Trade and other receivables		241	155
Inventories	2	1,350	1,350
Financial assets at fair value through profit or loss	6	17,951	28,306
Loan receivable	7	7,635	7,192
Other assets		104	268
Total current assets		30,339	39,974
Non-current assets			
Inventories	2	63,414	51,762
Financial assets at fair value through profit or loss	6	107,784	96,862
Right of use asset		37	67
Property, plant and equipment		259	672
Total non-current assets		171,494	149,363
TOTAL ASSETS		201,833	189,337
Current liabilities			
Trade and other payables		2,949	1,595
Lease liability		38	72
Provisions		207	190
Total current liabilities		3,194	1,857
Non-current liabilities			
Borrowings	8	140,993	125,450
Provisions		94	82
Total non-current liabilities		141,087	125,532
TOTAL LIABILITIES		144,281	127,389
NET ASSETS		57,552	61,948
Equity			
Contributed equity	3	290,149	290,149
Accumulated losses		(232,597)	(228,201)
Total equity		57,552	61,948

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 2022	290,149	(207,740)	82,409
Loss for the period	-	(17,802)	(17,802)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(17,802)	(17,802)
Balance at 30 June 2022	290,149	(225,542)	64,607
Balance at 1 January 2023	290,149	(228,201)	61,948
Loss for the period	-	(4,396)	(4,396)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(4,396)	(4,396)
Balance at 30 June 2023	290,149	(232,597)	57,552

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

	Note	Group	
		Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(11,962)	(3,883)
Interest received		43	262
Finance costs including interest and other costs of finance paid		(3,250)	(1,348)
Other income		85	156
Net cash used in operating activities		(15,084)	(4,813)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,167)
Payments for financial assets – Auburn Square	6	(7,530)	(3,198)
Payments for financial assets – The Peninsula	6	-	(4,153)
Payments for financial assets – Chatswood	6	(2,074)	-
Receipts from financial assets – Auburn Square	6	-	4,247
Receipts from financial assets – Cascade Gardens	6	-	868
Receipts from loan advanced to Cascade Gardens	6	-	17,740
Receipts from financial assets – Chatswood	6	9,500	-
Net cash flows (used in)/from investing activities		(104)	14,337
Cash flows from financing activities			
Proceeds from borrowings	8	15,543	2,000
Repayment of borrowings	8	-	(19,500)
Net cash flows from/(used in) financing activities		15,543	(17,500)
Net increase / (decrease) in cash and cash equivalents		355	(7,976)
Cash and cash equivalents at the beginning of the period		2,703	9,401
Cash and cash equivalents at the end of the period		3,058	1,425

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Tian An Australia Limited (**TIA**) is domiciled and incorporated in Australia. Its registered office and principal place of business is Level 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 2023 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 2022 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.

While as at 30 June 2023, the Group had cash reserves of \$3,058,000 (December 2022: \$2,703,000) and net current assets of \$27,145,000 (December 2022: \$38,117,000), during the half year ended 30 June 2022, the Group incurred a net loss after tax of \$4,396,000 (June 2022: \$17,802,000) and had operating cash outflows of \$15,084,000 (June 2022: \$4,813,000). Moreover, the future operations and investments of the Group are subject to uncertainty relating to the timing of future cashflows from projects, and subject to economic impacts of rising interest rates, inflation and construction costs.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

However, the Directors believe that it is reasonably foreseeable that the Group will continue as a going concern, and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Directors have prepared detailed cash flow forecasts for the Group, which estimate a positive cash position over the 12-month period from the date of authorisation of this report.
- The Directors have received a letter of financial support from its ultimate parent entity, Tian An China Investments Company Limited, confirming that it will not seek repayment of intercompany loans or balances due from the Company, nor request additional funds from the Company, for a period of at least one year from the date of authorisation of the financial report, except to the extent that the Company has available funds to do so.

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 2023	31 December 2022
	\$'000	\$'000
Current		
<i>Land held for sale</i>		
Lower of cost and recoverable value	1,350	1,350
Total current	1,350	1,350

	Group	
	30 June 2023	31 December 2022
	\$'000	\$'000
Non-current		
<i>Land under development</i>		
Cost of acquisition	132,496	132,496
Development and other costs	36,562	25,400
Capitalised interest	2,185	1,695
Impairment provision	(107,829)	(107,829)
Total non-current	63,414	51,762
Total inventories net of impairment	64,764	53,112

2. INVENTORIES (CONTINUED)

As at 30 June 2023, an analysis of net realisable value of the Group's inventory resulted no additional impairments during the period (30 June 2022: \$15,071,000) on properties for development. Any impairments have been disclosed in the consolidated statement of profit or loss and other comprehensive income. Point Grey was impaired in 2022 by \$15,071,000 due to increased interest rates and construction costs, which were more severely impacted in the Western Australian region.

3. CONTRIBUTED EQUITY

	Group	
	30 June 2023 \$'000	31 December 2022 \$'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 during the period.

5. SEGMENT INFORMATION

In accordance with *AASB 8 Operating Segments*, the Group has assessed for the half-year reporting period ended 30 June 2023 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 those protective rights alone do not give control.

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

Cascade Gardens, Pymble project

The joint venture agreement in relation to the Group's investment in the Cascade Gardens, Pymble 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.

The joint venture agreement requires unanimous consent from both TIA and the joint venture partner in respect to certain key decisions. The land, development activities reside with the joint venture partner.

TIA has concluded that the Group has joint control over the key relevant activities and an asset, being its rights to the future cash flows of the project, therefore the investment is classified as a joint operation in accordance with AASB 11 "Joint Arrangements". The Group has accounted for its rights to the future cash flows of the project as a Financial Asset at Fair Value Through Profit or Loss (FVTPL).

Auburn Square, Auburn project

The joint venture agreement in relation to the Group's investment in the Auburn Square 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.

The joint venture agreement requires unanimous consent from both TIA and the joint venture partner in respect to certain key decisions and has a secured mortgage over the land in which the development activities will be conducted. The subject of the project and the development activities reside with the joint venture partner.

TIA has concluded that the Group has joint control over the key relevant activities and an asset, being its rights to the future cash flows of the project, therefore the investment is classified as a joint operation in accordance with AASB 11 "Joint Arrangements". The Group has accounted for its rights to the future cash flows of the project as a Financial Asset at Fair Value Through Profit or Loss (FVTPL).

The Peninsula, Hope Island project

The joint venture agreement in relation to the Group's investment in the Peninsula, Hope Island 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.

The joint venture agreement requires unanimous consent from both TIA and the joint venture partner in respect to certain key decisions and has a secured mortgage over the land in which the development activities will be conducted. The subject of the project and the development activities reside with the joint venture partner.

TIA has concluded that the Group has joint control over the key relevant activities and an asset, being its rights to the future cash flows of the project, therefore the investment is classified as a joint operation in accordance with AASB 11 "Joint Arrangements". The Group has accounted for its rights to the future cash flows of the project as a Financial Asset at Fair Value Through Profit or Loss (FVTPL).

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

Chatswood, Chatswood project

The joint venture agreement in relation to the Group's investment in the Chatswood 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.

The joint venture agreement requires unanimous consent from both TIA and the joint venture partner in respect to certain key decisions and has also granted TIA an option to hold a secured mortgage over the land in which the development activities will be conducted. Similar to the Group's Auburn Square, Auburn Cascade Gardens, Pymble and The Peninsula, Hope Island Projects, the property, the subject of the project and the development activities reside with the joint venture partner.

TIA has concluded that the Group has joint control over the key relevant activities and an asset, being its rights to the future cash flows of the project, therefore the investment is classified as a joint operation in accordance with AASB 11 "Joint Arrangements". The Group has accounted for 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.

Movements for the half-year were:

	FVTPL (Cascade Gardens) \$'000	FVTPL (Auburn Square) \$'000	FVTPL (The Peninsula) \$'000	FVPTL (Chatswood) \$'000	TOTAL \$'000
1 January 2023	2,141	68,024	5,359	49,644	125,168
Investments in projects	-	7,530	-	2,074	9,604
Return from projects	-	-	-	(9,500)	(9,500)
Change in fair value	(26)	189	300	-	463
30 June 2023	2,115	75,743	5,659	42,218	125,735
Current financial assets	2,115	10,177	5,659	-	17,951
Non-current financial assets	-	65,566	-	42,218	107,784
30 June 2023	2,115	75,743	5,659	42,218	125,735

6. FINANCIAL ASSETS MEASURED AT FAIR VALUE (CONTINUED)

As the Group does not expect to receive all the remaining cash flows from the Auburn Square project within 12 months, a portion of the investment balance has been classified in non-current assets as at 30 June 2023. The Group is not expected to receive any proceeds from the Chatswood project within 12 months and therefore the entire balance has been classified in non-current assets.

The change in the fair value of the projects of \$463,000 gain 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 2023

	Cascade Gardens Profit or loss (\$'000)	Auburn Square Profit or loss (\$'000)	The Peninsula Profit or loss (\$'000)	Chatswood Profit or loss (\$'000)
	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)
Expected cash flow (increase of 10%)	258	7,574	624	4,222
Expected cash flow (decrease of 10%)	(258)	(7,574)	(624)	(4,222)
Discount rates (increase by 5%)	(24)	(8,080)	(136)	(6,185)
Discount rates (decrease by 5%)	39	9,603	145	7,362
Remaining duration of project used to calculate NPV (10% delays)	(17)	(4,093)	(79)	(2,387)

(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.
- 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 2023	31 December 2022
	\$'000	\$'000
Loan receivable from The Peninsula, Hope Island project	7,635	7,192
Total	7,635	7,192

The Group provided a loan facility of up to \$6,700,000 to Peninsula Gold Coast Development Pty Ltd in 2022 for the development of the Peninsula project. The loan is charged at 10% and 12% since August 2022 per annum until the loan is fully repaid. A total interest charge of \$934,950 has been capitalised on the loan balance to 30 June 2023. The loan is anticipated to be repaid at the conclusion of the project, in January 2024.

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 2023 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2022: \$Nil).

8. BORROWINGS

	Group	
	30 June 2023	31 December 2022
	\$'000	\$'000
Loan from parent entity	132,950	125,450
Construction loan from CBA	8,043	-
Total non-current borrowings	140,993	125,450

In April 2023, the Group entered into a loan facility for The Henley, Enfield project. The total facility is \$58,000,000 and is interest bearing and repayable within 25 months

The Group entered into a \$20,000,000 loan facility with Oasis Star Limited on 26 April 2018 with interest of approx. 5.87% 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 in June 2020 and further increased to \$140,000,000 in October 2022 and \$160,000,000 in August 2023. The repayment date has been extended to 30 June 2025. The loan is unsecured. Refer to note 10 for further details.

9. EVENTS AFTER BALANCE SHEET DATE

In Australia, the increase in inflation, interest rates and construction costs has continued to increase in 2023. There has been some movement on the company's project valuations. At this stage, further impact on our business, development projects and results is uncertain. 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 future delays in construction as well as projected timing of sales forecasted.

The Oasis Star loan facility was increased from \$140,000,000 to \$160,000,000 in August 2023 to assist with the project investments and operating costs of the business.

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.

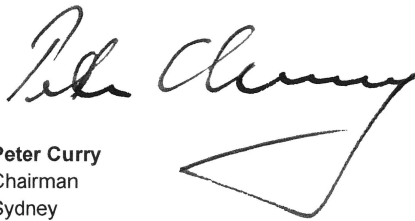
10. RELATED PARTY TRANSACTIONS

The Group has a loan facility of \$160,000,000 loan with Oasis Star Limited. The facility expires on 30 June 2025. 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 50.01% 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 2023 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 Curry
Chairman
Sydney
11 August 2023

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 2023, 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 2023 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 2023 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 Australia Pty Ltd

A stylized, handwritten-style signature of the letters 'BDO' in black ink.A handwritten signature in black ink that reads 'Elysia Rothwell'.

Elysia Rothwell
Director

Sydney, 11 August 2023