Appendix 4D and Interim Financial Report
for the half year (26 weeks) ended 30 June 2019

Name of entity

Kresta Holdings Limited

ABN

26 008 675 803

Half year ended ("current period")

From 1 January 2019 to 30 June 2019

Previous corresponding period ended

From 1 January 2018 to 30 June 2018

Results for announcement to the market

		Change %		$'000
Revenue from ordinary activities	Up	24%	to	34,882
Profit from ordinary activities after tax attributable to members	Up	53%	to	(6,677)
Net profit for the period attributable to members	Up	53%	to	(6,677)

NTA Backing	Current Period (cents per share)	Previous corresponding period (cents per share)
Net tangible asset backing per ordinary security	(4.44)	(9.50)

Dividends	Amount per security	Franked amount per security
Current period	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends	N/A	

This half-year report should be read in conjunction with the most recent annual report.

This report is designed to meet the half yearly reporting requirements and does not include the full disclosures as contained in the annual financial statements.

Kresta Holdings Limited
ACN 008 675 803

Half-Year Financial Report

30 June 2019

Contents

Corporate information

ABN 26 008 675 803

Directors

Xianfeng Lu, Executive Chairman
MingMing Zhang, Director
Li Ding, Non-executive Director
Wen Qian, Executive Director – Appointed 25 January 2019 and resigned on 29 July 2019
Yongjiu Xu, Non-executive Director – Resigned on 22 February 2020
Xueqiang Liu, Non-executive Director – Appointed on 22 February 2020

Company Secretary

Tao Li

Registered Office and Principal Place of Business

380 Victoria Road
Malaga WA 6090
Australia
Phone: +61 8 9249 0777
Website: www.kresta.com.au

Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Phone: +61 8 9323 2000

Kresta Holdings Limited shares are listed on the Australian Securities Exchange (ASX).
ASX Code: KRS

Bankers

Commonwealth Bank of Australia Limited

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3, 216 St Georges Tce
Perth WA 6000

Solicitors

K&L Gates
Level 32, 44 St Georges Terrace
Perth WA 6000

Directors' report

Your directors of Kresta Holdings Limited submit their report for the half-year ended 30 June 2019.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are:

Xianfeng Lu (Executive Chairman)
MingMing Zhang (Director)
Li Ding (Non-executive Director)
Wen Qian (Executive Director) – Appointed 25 January 2019 and resigned on 29 July 2019
Yongjiu Xu (Non-executive Director) – Resigned on 22 February 2020
Xueqiang Liu, Non-executive Director – Appointed on 22 February 2020

The directors were in office from the beginning of the half-year until the date of this report, unless otherwise stated.

Principal activities

The principal activities during the half-year of entities within the Group was the distribution and retailing of window coverings treatments and components.

There have been no significant changes in the nature of those activities during the period.

Review and results of operations

The business recorded revenue of $34.882 million (2018: $28.216 million) which was 23.6% higher than the corresponding period. Factors contributing to this increase in revenue include better business strategy in custom made products, including marketing through social media.

The Company recorded a net loss for the period of $6.678 million which compared with a net loss after tax of $14.266 million for the comparative period.

On a cashflow basis, the Company recorded a cash inflow of $5.207 million reflecting the operating performance of the business. Cash at the end of the period was $4.287 million.

Events after reporting date

On 15 March 2019, upon board approval, Suntarget (Hong Kong) Trading Co Limited ("Suntarget") and Van Dairy (Hong Kong) Ltd entered into an Agreement for Sales and Purchase of Share and agreed that Suntarget transfers 84.35% of the Company's equity to Van Dairy. The Group and Van Dairy entered into a Loan Contract Supplemental Agreement, and agreed that Suntarget transfers AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million from Suntarget to Van Dairy.

On 19 June 2019, upon Suntarget's shareholder approval, the Group and Van Dairy entered into a Deed of Parent Company, to formalise the loan of AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million, loan term to 31 December 2021. Under the Deed of Parent Company Support, Van Dairy advanced a $10 million loan facility to the Group with an 18-month repayment term from the drawn down date.

Van Dairy also advanced another $10 million loan facility to the Group with 18-month repayment from the drawn down date.

Directors' report

On 28 October 2019, following in an internal restructure, Van Dairy has transferred its 84.35% shares to Dream Curtain Holdings Co., Ltd ("DCH"), $11.1 million loan due by 31 December 2021 has also transferred to DCH. On 28 October 2019, the Group an DCH entered into a Deed of Parent Company Support those arrangements, and DCH has also honoured the $10 million loan facility with 18-month repayment after the date of advance term in this Deed. The Group hasn't drawn down any advance from this facility at the date of this report.

On 27 November 2019, the Group entered into a Sale of Land agreement to sale its property at 380 Victoria Road Malaga for AUD$7 million, this transaction was settled on 26th December 2019.

On 1 December 2019, the Group entered into a Sales Agreement with a Hong Kong based entity, Champ Profit Industrial Limited ("CPI") to sell its Curtain Wonderland ("CW") business. The sales proceeds was AUD$1 and CPI are to take over all CW's assets and liabilities. The transaction was approved by ASX on 30 December 2019 with no shareholder approval required. The transaction was completed on 31 December after KHL board approval. The disposal was part of a strategic decision to dispose of a non-performing cash generating unit. The financial effects of this transaction have not been recognised at 31 December 2019. The operations and net assets of the above mentioned entity are reported as part of the single operating segment, which is the sale of window coverings.

The disposal was part of a strategic decision to dispose of a non-performing cash generating unit. The financial effects of this transaction have not been recognised at 31 December 2019. The operations and net assets of the above mentioned entity are reported as part of the single operating segment, which is manufacture and sales of window coverings.

(i) Disposal consideration and fair value of net liabilities disposed

	December 2019
Disposal of sub	**$**
Cash received / receivable	1
	1

The provisionally determined fair values of the assets and liabilities of Curtain Wonderland Pty Ltd as at disposal date are as follows:

	December 2019
	$000
Cash and cash equivalents	564
Property, plant and equipment	2,345
Right of use assets	12,597
Intangibles	66
Inventories	7,069
Trade and other receivables	57
Other assets	240
Trade and other payables	7,930
Provisions	1,020
Borrowings	15,261
Lease liabilities	12,203
	(13,476)

On 26 March 2020, Van Dairy provided a financial letter of support to the Group a maximum of CNY 50 million (AUD $10.4 million), to the extent that money is not otherwise available to meet such liabilities for at least the next 24 months from the date of the 2019 half-year financial report.

Directors' report

Subsequent to year end, the world and local community has been impacted by the onset of COVID-19. The Company has been monitoring the potential impact of COVID-19 on its operations and has plans in place to minimise the impact and is well placed financially to sustain short term disruptions to its operations. Given the uncertainty over the situation, the Company is not in a position to determine the full impact that COVID-19 will have on its operations or quantify any financial impact.

Other than the matters raised above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) 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 the ASIC Instrument applies.

Auditor's independence declaration

We have obtained an independence declaration from our auditor, Bentleys Audit & Corporate (WA) Pty Ltd, which is set out on page 5 and forms part of this report.

Signed in accordance with a resolution of the directors.

卢先锋

Xianfeng Lu
Executive Chairman
3 April 2020
Perth

Bentleys
THINKING AHEAD

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Level 3,
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To, The Board of Directors,

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

As lead audit Partner for the review of the financial statements of Kresta Holdings Limited for the half year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Bentleys

Chris Nicoloff

BENTLEYS	**CHRIS NICOLOFF** CA
Chartered Accountants	**Partner**

Dated at Perth this 3rd day of April 2020

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2019

	Note	Consolidated June 2019 $000	June 2018 $000
Revenue from contracts with customers	*3a*	34,882	28,216
Revenue		34,882	28,216
Other income	*3b*	535	60
Changes in inventories of finished goods		(3,374)	(2,904)
Raw materials and consumables used		(13,155)	(7,258)
Employee benefits expense	*3c*	(12,410)	(14,293)
Depreciation and amortisation charge	*3d*	(4,923)	(980)
Other expenses	*3e*	(7,333)	(16,829)
Results from operating activities		(21,362)	(13,988)
Finance income		9	1
Finance costs		(909)	(279)
Net finance costs	*3f*	(900)	(278)
Loss before income tax		(6,678)	(14,266)
Income tax benefit		-	-
Net loss for the period		(6,678)	(14,266)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Net foreign currency translation		1	(6)
Other comprehensive loss for the period, net of tax		1	(6)
Total comprehensive loss for the period		(6,677)	(14,272)
Total comprehensive loss attributable to owners of the Company		(6,677)	(14,272)
Loss per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share		(4.44)	(9.50)
Diluted loss per share		(4.44)	(9.50)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

As at 30 June 2019

	Note	Consolidated June 2019 $000	December 2018 $000
ASSETS			
Current assets			
Cash and cash equivalents	*4*	4,287	3,129
Trade and other receivables		31	1,345
Inventories	*5*	6,659	10,034
Prepayments		655	1,084
Total current assets		11,632	15,592
Non-current assets			
Property, plant and equipment		8,976	9,627
Right of use asset		25,922	-
Deferred tax		33	33
Intangible assets and goodwill		418	302
Total non-current assets		35,349	9,962
TOTAL ASSETS		46,981	25,554
LIABILITIES			
Current liabilities			
Trade and other payables	*7*	14,796	17,947
Deferred revenue		-	1,465
Interest-bearing loans and borrowings	*11*	637	11,278
Provisions	*8*	2,849	6,089
Lease liability		7,452	-
Income tax payable		50	50
Total current liabilities		25,744	36,829
Non-current liabilities			
Trade and other payables	*7*	5,828	-
Interest-bearing loans and borrowings	*11*	11,796	120
Provisions	*8*	828	723
Deferred tax liabilities		28	28
Lease liability		18,817	-
Total non-current liabilities		37,297	871
TOTAL LIABILITIES		63,081	37,700
NET (LIABILITIES)/ASSETS		(16,100)	(12,146)

EQUITY			
Contributed equity	*10*	12,892	12,892
Reserves		(94)	(95)
Accumulated losses		(28,898)	(24,943)
TOTAL EQUITY		(16,100)	(12,146)

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

Condensed consolidated statement of changes in equity

For the half-year ended 30 June 2019

	Ordinary shares	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total
	$000	$000	$000	$000	$000
At 31 December 2018	**12,892**	**495**	**(590)**	**(24,943)**	**(12,146)**
AASB 16 adjustment	-	-	-	2,723	2,723
Revised 1 January 2019	**12,892**	**495**	**(590)**	**(22,220)**	**(9,423)**
Loss for the period	-	-	-	(6,678)	(6,678)
Other comprehensive loss	-	-	1	-	1
Total comprehensive loss for the period	-	-	1	(6,678)	(6,677)
At 30 June 2019	12,892	495	(589)	(28,898)	(16,100)
At 1 January 2018	12,892	495	(578)	(5,414)	7,395
Loss for the period	-	-	-	(14,266)	(14,266)
Other comprehensive income	-	-	(6)	-	(6)
Total comprehensive (loss) for the period	-	-	(6)	(14,266)	(14,272)
At 30 June 2018	12,892	495	(584)	(19,680)	(6,877)

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

Condensed consolidated statement of cash flows

For the half-year ended 30 June 2019

		Consolidated	
	Note	**June 2019**	**June 2018**
		$000	$000
Cash flows from operating activities			
Receipts from customers		35,275	34,993
Payments to suppliers and employees		(29,168)	(35,548)
Interest received	*3f*	9	1
Interest paid	*3f*	(909)	(29)
Net cash flows from/(used in) in operating activities		5,207	(583)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		50	198
Purchase of property, plant and equipment		(240)	(127)
Net cash flows (used in)/from investing activities		(190)	71
Cash flows from financing activities			
Proceeds from borrowings		-	536
Repayment of borrowings		(251)	(402)
Lease payments		(3,610)	-
Net cash flows (used in)/from financing activities		(3,861)	134
Net increase in cash and cash equivalents		1,156	(378)
Net foreign exchange differences		2	(1)
Cash and cash equivalents at beginning of period		3,129	2,646
Cash and cash equivalents at end of period	*4*	4,287	2,267

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

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

1. Corporate information

This consolidated half-year report of Kresta Holdings Limited and its subsidiaries (the Group) for the half-year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 31 March 2020.

Kresta Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. Kresta Holdings Limited is a company domiciled in Australia. The address of the Company's registered office is 380 Victoria Road Malaga WA 6090.

The Group is a for-profit entity and the nature of the operations and principal activities of the Group are described in the directors' report.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This half-year financial report for the half-year ended 30 June 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's Annual Report for the period ended 31 December 2018.

The half-year financial report has been prepared on a historical cost basis, the half-year report is presented in Australian Dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest ($000) except where otherwise indicated.

(b) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of $6.678 million (2018: $14.266 million) and net cash inflows of $1.156 million (2018: outflows of $0.583 million)

As at 30 June 2019, the Company has a working capital deficit of $14.112 million ($21.237 million).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets and managing cash flow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. In the event the above matters are not achieved, the Company will be required to raise funds for working capital from debt or equity sources.

On 31 December 2019 the Group finalized the disposal of its Curtain Wonderland business. This disposal was part of a strategic direction to dispose of the non-performing assets of the business. Management believe the remaining Kresta Group will operate more efficiently during the next 12 months.

Following the sale of Suntarget's 84.3% shares in the company to Van Dairy (Hong Kong) Co. Ltd under an internal structure the Group and Van Dairy have entered into a Deed of Company Support, with terms summarised below;

- Van Dairy has extended a further $10 million loan which will be due 18 months from the date of the advance.
- At the date of this report these facilities have not been drawn down.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

The company is managing creditors and has necessary payment arrangements in place with older creditor balances. At the date of this report there are no statutory demands issued to the Group.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

(c) New accounting standards and interpretations

(i) Standards and interpretations applicable to 30 June 2019

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted AASB 16 with effect from 1 January 2019 using the modified retrospective approach and accordingly has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the statement of financial position on 1 January 2019.

AASB 16 introduces a new framework for accounting for leases and replaces AASB 117 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 January 2019. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's

incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

The following table provides a reconciliation of the operating lease commitments disclosed in note 12 to the expected total lease liability to be recognised at 1 January 2019:

	$000
Operating lease commitments as at 31 December 2018	25,260
Less: Effect of discounting	(903)
Discounted commitments	24,357
Add: Costs of reasonably certain extension options	6,119
Add: Fixed increase	417
Lease liabilities recognised at 1 January 2019	29,862
Split between:	
Current lease liabilities	7,337
Non-current lease liabilities	22,525
	29,862

The recognise right-of-use assets related to the following types of assets:

	30 June 2019 $000	1 January 2019 $000
Properties	11,362	29,862

The impact on the Group's consolidated statement of comprehensive income is:

	$000
Decrease in operating lease expense	(4,319)
Increase in finance costs	709
Increase in right-of-use assets depreciation	3,195
Decrease in loss before tax	(415)

The impact on the Group's segment disclosure is:

	Australia $000	New Zealand $000	Total $000
Segment Assets	29,534	328	29,862
Segment Liabilities	29,534	328	29,862

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities and right of use assets are now included in segment assets. Only the above segments were materially affected by the change in policy.

Earnings per share decreased by 2.6 cents for the six months to 30 June 2019 as a result of the adoption of AASB 16.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Lease liabilities – increase by $29,862
- Right-of-use assets – increase by $29,862
- Current provisions – decrease by $2,627
- Non-current provisions – decrease by $96
- Accumulated losses – increase by $2,723

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- To measure the right of use asset on transition at an amount equal to the lease liability (as adjusted for prepaid or accrued lease payments);
- Not to recognise low-value or short-term leases on the balance sheet. Costs for these lease arrangements will continue to be expensed;
- To use a single discount rate for a portfolio of leases with reasonably similar characteristics;
- To use hindsight in determining the lease term where lease contracts include options to extend or terminate the lease; and
- To reflect the impairment of right of use assets on transition by adjusting their carrying amounts for onerous lease provisions recognised on the Group balance sheet as at 31 December 2018.

The Group's leasing activities and how these are accounted for:

- The Group leases various commercial properties and office equipment. Until the 2018 financial year, leases of commercial properties and office equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.
- From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis.
- Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
    - Fixed payments (including in-substance fixed payments), less any lease incentives receivable
    - Variable lease payments that are based on an index or a rate
- Right-of-use assets are measured at cost comprising the following:
    - The amount of the initial measurement of the lease liability net of any previously recognised onerous lease provisions; and
    - Any restoration costs applicable to the lease.
- Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

(ii) Standards and interpretations in issue not yet adopted

The Directors have reviewed all the new and revised standards and interpretations in issue not yet adopted for the half year ended 30 June 2019. As a result of this review the Directors have determined there is no material impact of the new and revised standards and interpretations on the company and therefore no material change to group accounting policies.

(d) Significant accounting judgments and estimates

The preparation of half-year report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The judgements estimate and assumptions applied in the interim financial statement including key sources of estimation uncertainty were the same applied in the Group's last financial statements for the year ended 31 December 2018, except for:

Inventory net realisable value

The Group accounts for inventory at the lower of cost and net realisable value. Net realisable value assessments necessitate management's best estimate as to the ability and likelihood of individual inventory items to be sold above cost.

Lease term contracts with renewal options

The Group is operating on the basis that we will extend all leases when they come to expire. This assumption has been factored into the *AASB 16 Leases* calculations.

Other significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the period ended 30 June 2019.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

3. Revenue, Income and expenses

	Consolidated June 2019 $000	Consolidated June 2018 $000
(a) Revenue from contracts with customers		
The disaggregation of the Group's revenue from contracts with customers		
Installation of window coverings, treatments and components	34,882	28,216
	34,882	28,216
No reconciling items between revenue from contracts with customers and segments and segments disclosure		
(b) Other income		
Other income	110	60
Sublease income	425	-
	535	60
(c) Employee benefits expense		
Wages and salaries	8,619	8,867
Superannuation expense	788	796
Subcontractors fees and related expenses	1,714	3,681
Other employee benefits expense	1,289	949
	12,410	14,293
(d) Depreciation and amortisation charge		
Depreciation	732	829
Right of use depreciation	3,956	-
Amortisation of IT software	235	151
	4,923	980
(e) Other expenses		
Advertising	3,069	2,579
Property rent	340	4,155
Onerous lease provision expense	-	1,754
Onerous lease utilised	(435)	-
Property outgoings	1,630	1,845
Communication expenses	451	667
Banking and transaction expenses	188	178
Impairment loss – receivables	846	610
Reversal of allowance for impairment loss	(971)	-
Impairment – property, plant and equipment	-	2,352
Impairment - goodwill	-	1,064
Net loss/(gain) from disposal of property, plant and equipment	9	(26)
Net unrealised loss on related party loan	-	423
Freight	-	102
Foreign exchange losses	1,556	61
Other expenses	650	1,065
	7,333	16,829

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

(f) Finance costs

Finance income	9	1
Finance charges payable under finance loans	(709)	(8)
Related party loan and trade payables	(200)	(271)
Finance costs	(909)	(279)
	(900)	(278)

4. Cash and cash equivalents

For the purpose of the half-year cash flows, cash and cash equivalent are comprised of the following:

	Consolidated	
	June 2019	**December 2018**
	$000	$000
Cash at bank and on hand	4,267	3,109
Security deposits	20	20
	4,287	3,129

5. Inventory

During the six months ended 30 June 2019, the Group decreased the obsolete stock provision to $1.508 million. (December 2018: $1.836 million).

6. Financial assets and financial liabilities

Fair Values

The directors have concluded that the fair value of the financial assets and liabilities are not materially different to and approximate their carrying values. At 30 June 2019, the Group had the same classes of financial instruments measured at fair value as disclosed in the 31 December 2018 annual report.

7. Trade and other payables

	June 2019	**December 2018**
	$000	$000
Current		
Trade payables	11,609	11,563
Other payables	1,484	3,126
Customer deposits	1,676	3,258
Goods and service tax	27	-
	14,796	17,947
Non-current		
Trade payables	5,828	-
	5,828	-

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

8. Provisions

	Onerous leases $000	Warranty $000	Employee benefits $000	Make good $000	Total $000
At 1 January 2019	3,199	390	2,225	998	6,812
Arising during the year	-	76	551	-	627
AASB 16 adjustment	(2,723)	-	-	-	
Utilised	(435)	(67)	(302)	-	(804)
Unused amounts reversed	-	-	-	(235)	(235)
At 30 June 2019	41	399	2,474	763	3,677
Current 30 June 2019	41	399	2,183	226	2,849
Non-current 30 June 2019	-	-	291	537	828

9. Dividends paid and proposed

No dividends were paid or proposed during the half – year (30 June 2018: nil)

10. Contributed equity

Ordinary Shares

	June 2019 $000	December 2018 $000
Issued capital - ordinary shares	12,892	12,892

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Movement in ordinary shares on issue

	No. of shares	$000
At 1 January 2019	150,258,518	12,892
Shares issued during the period	-	-
At 30 June 2019	150,258,518	12,892

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

11. Interest-bearing loans and borrowings

	Consolidated	
	June 2019	**December 2018**
	$000	$000
Current		
Insurance finance loan (c)	427	54
Software licence finance loan (b)	210	181
Related party loan (a)	-	11,043
	637	11,278
Non-current		
Software licence finance loan (b)	-	120
Related Party Loan (a)	11,796	-
	11,796	120

(a) Related Party Loan

On 15 March 2019, upon board approval, Suntarget (Hong Kong) Trading Co Limited ("Suntarget") and Van Dairy (Hong Kong) Ltd entered into an Agreement for Sales and Purchase of Share and agreed that Suntarget transfers 84.35% of the Company's equity to Van Dairy. The Group and Van Dairy entered into a Loan Contract Supplemental Agreement, and agreed that Suntarget transfers AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million from Suntarget to Van Dairy.

On 19 June 2019, upon Suntarget's shareholder approval, the Group and Van Dairy entered into a Deed of Parent Company, to formalise the loan of AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million, loan term to 31 December 2021. The loan was unsecured and bore interest until 15 March 2019. From 16 March 2019 the loans' interest is waived. Van Dairy also advanced another $10 million loan facility to the Group with 18-month repayment from the drawn down date.

On 28 October 2019, following in an internal restructure, Van Dairy has transferred its 84.35% shares to Dream Curtain Holdings Co., Ltd ("DCH"), $11.1 million loan due by 31 December 2021 has also transferred to DCH. On 28 October 2019, the Group an DCH entered into a Deed of Parent Company Support those arrangements, and DCH has also honoured the $10 million loan facility with 18-month repayment after the date of advance term in this Deed. The Group hasn't drawn down any advance from this facility at the date of this report. The loan remains unsecured and interest free.

	Consolidated	
	June 2019	**December 2018**
	$000	$000
Movements		
Opening balance	11,043	10,545
Interest accrued(i)	676	-
Foreign exchange	76	498
	11,795	11,043
Principal	11,115	11,043
Interest accrued(i)	680	-
	11,795	11,043

(i) Interest accrued in the 2019 financial year includes interest of $0.493 million that was previously in sundry accruals.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

(b) Software licence finance loan

Software licence finance loan is an unsecured loan that a nominal interest rate of 9.7% (2018: 9.7%) and which is payable by August 2020

(c) Insurance finance loan

Insurance finance loan is an unsecured loan that has a fixed rate of 1.52% (2018: 1.30%) and which is payable by January 2020.

12. Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at are as follows:

	June 2019 $000	December 2018 $000
Within one year	73	8,813
After one year but not more than five years	-	16,447
More than five years	-	-
Total minimum lease payments	73	25,260

Capital commitments

There are no capital commitments as at 30 June 2019 (December 2018: $nil).

Contingencies

There has been no change in contingent liabilities since annual reporting period (31 December 2018: $nil).

13. Related party transactions

During the half year the group has being purchasing its finished goods from related parties Ningbo Zhexiang Trading Co., Limited, Ningbo Mardo Import & Export Co., Limited and Ningbo Cathayan Weaving MFG Co., Limited.

The purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free for the usual credit terms and settlement occurs in cash. There have been no guarantees received for any related party payables.

Ningbo Mardo Import & Export Co., Limited and Ningbo Cathayan Weaving MFG Co., Limited agreed to extend their usual credit terms with the Group from 6 months to 18 months for purchases made between May 2018 to May 2019. Interest at 5% p.a. is accrued on invoices outstanding between May 2018 to May 2019 after the usual 6 month credit term has expired.

14. Operating Segments

The Group has identified its operating segment based on the management reports that are reviewed and used by the executive management team (chief operating decisions makers) in assessing performance and in determining the allocation of resources. Management has identified a single operating segment, which is manufacture and sales of window coverings and no segment report has therefore been included in the financial statements.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

15. Events occurring after the reporting date

On 15 March 2019, upon board approval, Suntarget (Hong Kong) Trading Co Limited ("Suntarget") and Van Dairy (Hong Kong) Ltd entered into an Agreement for Sales and Purchase of Share and agreed that Suntarget transfers 84.35% of the Company's equity to Van Dairy. The Group and Van Dairy entered into a Loan Contract Supplemental Agreement, and agreed that Suntarget transfers AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million from Suntarget to Van Dairy.

On 19 June 2019, upon Suntarget's shareholder approval, the Group and Van Dairy entered into a Deed of Parent Company, to formalise the loan of AUD$0.81 million, AUD$10.50 million and total interest of AUD$0.67 million, loan term to 31 December 2021. Under the Deed of Parent Company Support, Van Dairy advanced a $10 million loan facility to the Group with an 18-month repayment term from the drawn down date.

On 28 October 2019, following in an internal restructure, Van Dairy has transferred its 84.35% shares to Dream Curtain Holdings Co., Ltd ("DCH"), $11.1 million loan and interest of $0.67 million due by 31 December 2021 has also transferred to DCH. On 28 October 2019, the Group and DCH entered into a Deed of Parent Company Support those arrangements, and DCH has also honoured the $10 million loan facility with 18-month repayment after the date of advance term in this Deed. The Group hasn't drawn down any advance from this facility at the date of this report.

On 27 November 2019, the Group entered into a Sale of Land agreement to sale its property at 380 Victoria Road Malaga for AUD$7 million, this transaction was settled on 26th December 2019.

On 1 December 2019, the Group entered into a Sales Agreement with a Hong Kong based entity, Champ Profit Industrial Limited ("CPI") to sell its Curtain Wonderland ("CW") business. The sales proceeds was AUD$1 and CPI are to take over all CW's assets and liabilities. The transaction was approved by ASX on 30 December 2019 with no shareholder approval required. The transaction was completed on 31 December after KHL board approval. The disposal was part of a strategic decision to dispose of a non-performing cash generating unit. The financial effects of this transaction have not been recognised at 31 December 2019. The operations and net assets of the above mentioned entity are reported as part of the single operating segment, which is the sale of window coverings.

Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2019

The disposal was part of a strategic decision to dispose of a non-performing cash generating unit. The financial effects of this transaction have not been recognised at 31 December 2019. The operations and net assets of the above mentioned entity are reported as part of the single operating segment, which is manufacture and sales of window coverings.

(ii) Disposal consideration and fair value of net liabilities disposed

	December 2019
Disposal of sub	**$**
Cash received / receivable	1
	1

The provisionally determined fair values of the assets and liabilities of Curtain Wonderland Pty Ltd as at disposal date are as follows:

	December 2019
	$000
Cash and cash equivalents	564
Property, plant and equipment	2,345
Right of use assets	12,597
Intangibles	66
Inventories	7,069
Trade and other receivables	57
Other assets	240
Trade and other payables	7,930
Provisions	1,020
Borrowings	15,261
Lease liabilities	12,203
Net identifiable liabilities disposed	**(13,476)**

On 26 March 2020, Van Dairy provided a financial letter of support to the Group a maximum of CNY 50 million (AUD $10.4 million), to the extent that money is not otherwise available to meet such liabilities for at least the next 24 months from the date of the 2019 half-year financial report.

Subsequent to year end, the world and local community has been impacted by the onset of COVID-19. The Company has been monitoring the potential impact of COVID-19 on its operations and has plans in place to minimise the impact and is well placed financially to sustain short term disruptions to its operations. Given the uncertainty over the situation, the Company is not in a position to determine the full impact that COVID-19 will have on its operations, or quantify any financial impact.

Other than the matters raised above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

In accordance with a resolution of the directors of Kresta Holdings Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Kresta Holdings Limited for the half-year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its 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*

(b) There are reasonable grounds to believe that Kresta Holdings Limited will be able to pay its debts as and when they become due and payable subject to the matters detailed in Note 2(b).

This declaration is made in accordance with a resolution of the directors.

On behalf of the board

Xianfeng Lu
Executive Chairman

Perth, 3 April 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Kresta Holdings Limited

We have reviewed the accompanying half-year financial report of Kresta Holdings Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Group, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year 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 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for Qualified Conclusion

As disclosed in the audit report for the year ended 31 December 2018, as at the date of the report, the previous auditors were unable to obtain sufficient appropriate audit evidence in relation to inventory, provision for onerous leases and property, plant and equipment impairment. As a result, the previous auditors were unable to form an opinion on the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidation statement of cash flows for the year then ended.

As the statement of financial position as at 31 December 2018 provides the basis for the determination of the performance, cash flows and changes in equity for the half-year ended 30 June 2019, we are unable to determine the impacts, if any, on the consolidated condensed statement of financial position, consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended 30 June 2019.

Qualified Conclusion

Except for the effects of the matter described in the *Basis for Qualified Conclusion* noted above, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kresta Holdings Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group incurred a net loss of $6.678 million after tax during the half-year ended 30 June 2019. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 3rd day of April 2020