

Appendix 4D and Interim Financial Report for the half year (26 weeks) ended 30 June 2020

Name of entity

Kresta Holdings Limited

ABN

26 008 875 803

Half year ended ("Current period")

From 1 January 2020 to 30 June 2020

Previous corresponding period ended

From 1 January 2019 to 30 June 2019

Results for announcement to the market

		Change		\$'000
		%		
Revenue from ordinary activities	Down	46.1%	to	12,413
Loss from ordinary after tax attributable to members	Up	98.1%	to	(128)
Net loss for the period attributable to members	Up	98.1%	to	(128)

NTA Backing	Current period (cents per share)	Previous corresponding period (cents per share)
Net tangible asset backing per ordinary security	(19)	(28)

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	NA	

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 2020

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Corporate information

ABN 26 008 675 803

Directors

Xianfeng Lu, Executive Chairman

MingMing Zhang, Director

Li Ding, Non-executive Director

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 Terrace

Perth WA 6000

Solicitors

K&L Gates

Level 32, 44 St Georges Terrace

Perth WA 6000

Directors' report

The directors of Kresta Holdings Limited and its subsidiaries ("The Group") submit their report for the half-year ended 30 June 2020.

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)

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 Group recorded revenue of \$12,413,000 (2019: \$23,041,000) which was 46.12% lower than the corresponding period. This is mainly due to the outbreak of Covid-19 and sale of Curtain wonderland Pty Ltd at the end of December 2019.

The Group recorded a net loss for the period of \$128,000 which compared with a net loss after tax of \$6,678,000 for the comparative period.

On a cashflow basis, the Company recorded a cash outflow of \$910,000 reflecting the operating performance of the business. Cash at the end of the period was \$1,474,000.

Events after reporting date

Subsequent to half year end, the world and local community has been continuously impacted by COVID-19 pandemic. The Group has been continuing to monitor the impact of COVID-19 on its operations and has been trying to minimise the impact and is well placed financially to sustain short term disruptions to its operations. Given the better control of COVID-19 in Australia and job keeper payment support by Australian government, the Group is in a stable position to continue its operation and strategic plan.

In July 2020, our overseas suppliers had cash flow issues and pressure under local authority to recover debt, hence had requested Kresta to repay the balance of invoices owing. The group asked for assistance from DCH, parent company of Kresta and a Supplemental Agreement to the Deed of parent support was signed to draw down \$8.5 million from \$10 million parent loan to pay the overseas suppliers at the end of July and to confirm the remaining loan would be non-interest bearing and credit term is 18 months, which provided the group sufficient cash flow to operate. The balance of \$841,000 (RMB16 million loan) was fully paid on 21 July 2020.

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.

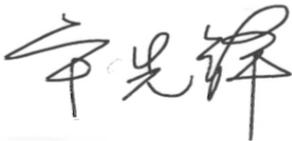
Rounding

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 4 and forms part of this report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Xianfeng Lu'.

Xianfeng Lu
Executive Chairman
26 August 2020
Perth

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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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 2020, 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
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 26th day of August 2020.

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2020

	Note	Consolidated	
		June 2020 \$000	June 2019 \$000
Continuing operations			
Revenue from contracts with customers	3a	12,413	23,041
Revenue		12,413	23,041
Other income	3b	3,615	2,012
Changes in inventories of finished goods		(280)	(1,598)
Raw materials and consumables used		(5,899)	(6,856)
Employee benefits expense	3c	(5,253)	(7,765)
Depreciation and amortisation charge	3d	(1,735)	(1,879)
Other expenses	3e	(2,563)	(5,528)
Results from operating activities		298	1,427
Finance income		2	9
Finance costs		(428)	(504)
Net finance costs	3f	(426)	(495)
Profit/(Loss) before income tax		(128)	932
Income tax benefit		-	-
Net Profit/(loss) for the period from continuing operations		(128)	932
Discontinued operations			
Loss after tax for the period from discontinued operations		-	(7,610)
Net loss for the period		(128)	(6,678)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net foreign currency translation		4	1
Other comprehensive income		4	1
Total comprehensive loss for the period		(124)	(6,677)
Loss per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share (cents per share)			
- Continue operations		(0.09)	0.62
- Discontinued operations		-	(5.06)
		(0.09)	(4.44)

KRESTA HOLDINGS LIMITED – HALF YEAR REPORT

	June 2020 \$000	June 2019 \$000
Diluted loss per share (cents per share)		
- Continue operations	(0.09)	0.62
- Discontinued operations	-	(5.06)
	<u>(0.09)</u>	<u>(4.44)</u>

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 2020

	Note	Consolidated	
		June 2020 \$000	Restated December 2019 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	1,474	2,384
Trade and other receivables		1,747	321
Inventories	6	524	804
Prepayments		311	295
Total current assets		4,056	3,804
Non-current assets			
Property, plant and equipment		661	946
Right of use asset	12	11,128	11,902
Intangible assets and goodwill		77	147
Other assets		1,950	950
Total non-current assets		13,816	13,945
TOTAL ASSETS		17,872	17,749
LIABILITIES			
Current liabilities			
Trade and other payables	8	12,363	9,508
Interest-bearing loans and borrowings	11	1,109	174
Provisions		1,627	1,982
Lease liability		2,832	2,465
Income tax payable		(44)	35
Total current liabilities		17,887	14,164
Non-current liabilities			
Trade and other payables	8	1,131	4,122
Interest-bearing loans and borrowings	11	6,348	6,116
Provisions		483	619
Lease liability		10,109	10,690
Total non-current liabilities		18,071	21,547
TOTAL LIABILITIES		35,958	35,711
NET LIABILITIES		(18,086)	(17,962)
EQUITY			
Contributed equity	10	12,892	12,892
Reserves		(92)	(96)
Accumulated losses	12	(30,886)	(30,758)
TOTAL EQUITY		(18,086)	(17,962)

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 2020

	Ordinary shares	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$000	\$000	\$000	\$000	\$000
Previously reported balance at 1 January 2020	12,892	495	(591)	(29,761)	(16,965)
Adjustments to balances in accordance with AASB108	-	-	-	(997)	(997)
Restated balances at 1 January 2020	12,892	495	(591)	(30,758)	(17,962)
Loss for the period	-	-	-	(128)	(128)
Other comprehensive profit	-	-	4	-	4
Total comprehensive loss for the period	-	-	4	(128)	(124)
At 30 June 2020	12,892	495	(587)	(30,886)	(18,086)
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)

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 2020

	Note	Consolidated	
		June 2020 \$000	June 2019 \$000
Cash flows from operating activities			
Receipts from customers		15,015	35,275
Payments to suppliers and employees		(18,439)	(29,573)
Interest received	3f	2	9
Interest paid	3f	(428)	(504)
Government subsidies		1,311	-
Income tax paid		(80)	-
Net cash flows from/(used in) in operating activities		(2,619)	5,207
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		102	50
Purchase of property, plant and equipment		(15)	(240)
Net cash flows (used in)/from investing activities		87	(190)
Cash flows from financing activities			
Proceeds from borrowings		2,500	-
Repayment of borrowings		-	(251)
Lease payments		(878)	(3,610)
Net cash flows (used in)/from financing activities		1,622	(3,861)
Net increase in cash and cash equivalents		(910)	1,156
Net foreign exchange differences		-	2
Cash and cash equivalents at beginning of period		2,384	3,129
Cash and cash equivalents at end of period	5	1,474	4,287

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 2020

1. Corporate information

This consolidated half-year report of Kresta Holdings Limited and its subsidiaries (the Group) for the half-year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 26 August 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 2020 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 year ended 31 December 2019.

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 \$128,000 (2019: loss \$6,678,000) and net cash outflow of \$910,000 (2019: inflow \$1,156,000).

As at 30 June 2020, the Group has a working capital deficit of \$13,831,000 (2019: deficit \$10,360,000).

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.

At the date of this half-year report the Company has the following mechanisms in place to ensure the Group has sufficient cash flow to meet contractual commitments:

- A Deed of Parent Company Support was entered into between Dream Curtain Holding Co.,Ltd ('DCH') and the Group, following an internal corporate restructure whereby Van Dairy (Hong Kong) Co. Ltd transferred its 84.35% shares in the Group to DCH.

DCH agreed to subordinate the debt owned by Kresta to Van Dairy in favour of all other creditors of Kresta, in order that Kresta may continue trading.

DCH also agreed to provide the \$10million cash support when Kresta needs and requires.

Subsequent to balance date, A Supplemental Agreement to the Deed of Parent Company Support was signed on the 31 July 2020 confirming the \$8.5million had been draw down from \$10million of parent company loan with 18 months credit period and that remaining loan would be non-interest bearing. Those money was utilised to reduce the amount payable to the Group's overseas suppliers. The balance of \$841,000 (RMB16 million loan) was fully paid on 21 July 2020.

- Government support and extension in job keeper payment, rent reduction and deferral, payroll tax exemption and deferrals from April to September 2020.
- The Group's continuing efforts in cost reduction. Due to COVID-19 pandemic, the government restricts international flights to Australia. The group changed overseas transportation method to sea shipping which reduced around 30% of freight cost.

The directors have prepared a cash flow forecast, which indicates that the Company 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 Company 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 Company 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 2020

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 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(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 2020. 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 2019.

3. Revenue, Income and expenses**Consolidated**

	June 2020 \$000	June 2019 \$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	12,413	23,041
	<u>12,413</u>	<u>23,041</u>
No reconciling items between revenue from contracts with customers and segments and segments disclosure		
(b) Other income		
Other income	2,304	2,012
Job keeper payment	1,311	-
	<u>3,615</u>	<u>2,012</u>
(c) Employee benefits expense		
Wages and salaries	4,597	4,886
Superannuation expense	383	441
Subcontractors fees and related expenses	1	1,714
Other employee benefits expense	272	724
	<u>5,253</u>	<u>7,765</u>
(d) Depreciation and amortisation charge		
Depreciation	226	390
Right of use amortisation	1,438	1,281
Amortisation of IT software	71	208
	<u>1,735</u>	<u>1,879</u>
(e) Other expenses		
Advertising	1,006	2,718
Property rent	44	(126)
Property outgoings	557	465
Communication expenses	204	230
Banking and transaction expenses	95	95
Insurance	-	140
Foreign exchange losses	61	1,050
Other expenses	596	956
	<u>2,563</u>	<u>5,528</u>

	June 2020 \$000	June 2019 \$000
(f) Finance costs		
Finance income	2	9
Finance charges payable under finance loans	(323)	(288)
Related party loan and trade payables	(97)	(200)
Other	(8)	(16)
Finance costs	(428)	(504)
	(426)	(495)

4. Discontinued operations

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 proceed was AUD\$1 and CPI are to take over all CW’s assets and liabilities. The transaction was approved by ASX on 31 December 2019 with no shareholder approval required. The transaction was completed on 31 December 2019 after KRS board approval. The disposal was part of a strategic decision to dispose of a non-performing cash generating unit. The operations and net assets of the above mentioned entity were reported as part of the single operating segment which is the sale of window covering. With CW being classified as discontinued operations, the results of CW for the period ended 30 June 2019 are presented below:

	June 2020 \$000	June 2019 \$000
Revenue from contracts with customers	-	11,842
Revenue	-	11,842
Other income	-	192
Raw materials and consumables used	-	(8,077)
Employee benefits expense	-	(4,644)
Depreciation and amortisation charge	-	(3,045)
Other expenses	-	(3,473)
Results from operating activities	-	(7,205)
Finance costs	-	(405)
Net finance costs	-	(405)
Loss before income tax	-	(7,610)
Income tax expense	-	-
Net loss for the period	-	(7,610)

Cash flows of Curtain Wonderland Pty Ltd are summarised as follows:

	June 2019 \$000
Net cash provided by/(used in) operating activities	3,876
Net cash used in investing activities	(108)
Net cash provided by/(used in) financing activities	(2,471)

5. Cash and cash equivalents

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

	Consolidated	
	June 2020	December 2019
	\$000	\$000
Cash at bank and on hand	1,474	2,384
	1,474	2,384

6. Inventory

During the six months ended 30 June 2020, the Group decreased the obsolete stock provision to \$nil. (December 2019: \$1,215,000).

7. 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 2020, the Group had the same classes of financial instruments measured at fair value as disclosed in the 31 December 2019 annual report.

8. Trade and other payables

	June	December
	2020	2019
	\$000	\$000
Current		
Trade payables	9,189	7,209
Other payables	1,174	1,329
Customer deposits	1,845	645
Goods and service tax	155	325
	12,363	9,508
Non-current		
Trade payables	1,131	4,122
	1,131	4,122

9. Dividends paid and proposed

No dividends were paid or proposed during the half – year (30 June 2019: \$nil)

10. Contributed equity**Ordinary Shares**

	June 2020	December 2019
	\$000	\$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 2020	150,258,518	12,892
Shares issued during the period	-	-
At 30 June 2020	150,258,518	12,892

11. Interest-bearing loans and borrowings

	Consolidated	
	June 2020	December 2019
	\$000	\$000
Current		
Insurance finance loan (c)	238	53
Software licence finance loan (b)	30	121
Related party loan (a)	841	-
	1,109	174
Non-current		
Related Party Loan (a)	6,348	6,116
	6,348	6,116

(a) Related Party Loan

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 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. As at balance date, the Group hasn't drawn down any advance from this facility. The loan remains unsecured and interest free.

During the period \$2,500,000 was drawn for working capital purposes of which was used to offset against shared-services invoice of \$1,552,000. The \$2,500,000 does not form part of the \$10 million loan facility.

(b) Software licence finance loan

Software licence finance loan is an unsecured loan that a nominal interest rate of 9.7% (2019: 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 2.11% (2019: 1.52%) and which is payable by January 2021.

12. Adjustments to balances in accordance with AASB108

In the financial report for the year ended 31 December 2019, the Group has recognised a gain of \$1,893,000 for the sale of head office building. In accordance with AASB16, as the group is leasing the building back for a period of 9.5 years with payments totalling \$3,574,000 over the period, not all the rights have been transferred to the buyer. Therefore, the recognition of the full amount of the gain on sale of the building is not appropriate. Therefore, an adjustment of \$997,000 to the opening accumulated loss and the right of use asset is required being the adjustment to reduce the profit on sale of the building and the value of right of use asset being overstated. Consequently, the opening accumulated loss and the right of use asset has been restated in accordance with the requirements of AASB108 as follows:

Consolidated Statement of changes in equity for the year ended 31 December 2019	Previous amounts recognised per accounts as at 31 December 2019 \$000	Adjustments to balances In accordance with AASB108 \$000	Restated comparatives as at 31 December 2019 \$000
Accumulated losses	(29,761)	(997)	(30,758)
Consolidated Statement Of Financial Position	Previous amounts recognised per accounts as at 31 December 2019 \$000	Adjustments to balances In accordance with AASB108 \$000	Restated comparatives as at 31 December 2019 \$000
Non-current assets			
Right of use asset	12,899	(997)	11,902
Equity			
Accumulated losses	(29,761)	(997)	(30,758)

13. Contingencies

There has been no change in contingent liabilities since annual reporting period (31 December 2019: \$nil).

14. Related party transactions

During the half year the group has been 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.

During the period, the related party transactions with Curtain Wonderland Pty Ltd ("CW") related to the purchase of goods and services amounting to \$606,000 and shared-services of \$1,552,000.

Mr Xianfeng Lu will no longer be the director of CW from August 2020 as the agreement to support CW after the sale of the company has been fulfilled.

15. 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.

16. Events occurring after the reporting date

Subsequent to half year end, the world and local community has been continuously impacted by COVID-19 pandemic. The Group has been continuing to monitor the impact of COVID-19 on its operations and has been trying to minimise the impact and is well placed financially to sustain short term disruptions to its operations. Given the better control of COVID-19 in Australia and job keeper payment support by Australian government, the Group is in a stable position to continue its operation and strategic plan.

In July 2020, our overseas suppliers had cash flow issues and pressure under local authority to recover debt, hence had requested Kresta to repay the balance of invoices owing. The group asked for assistance from DCH, parent company of Kresta and a Supplemental Agreement to the Deed of parent support was signed to draw down \$8.5 million from \$10 million parent loan to pay the overseas suppliers at the end of July and to confirm the remaining loan would be non-interest bearing and credit term is 18 months, which provided the group sufficient cash flow to operate. The balance of \$841,000 (RMB16 million loan) was fully paid on 21 July 2020.

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

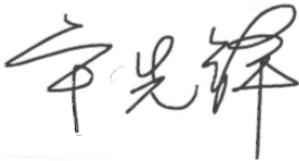
In accordance with a resolution of the directors of Kresta Holdings Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Kresta Holdings Limited for the half-year ended 30 June 2020 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 2020 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, 26 August 2020

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 2020, 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 2020 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 our audit report for the year ended 31 December 2019, we were appointed as auditor of the Company subsequent to 31 December 2019 and accordingly did not observe the counting of physical inventories at 31 December 2019 nor were we able to satisfy ourselves by alternative means as to the quantities on hand at 31 December 2019. As a result, we are unable to form an opinion on the 31 December 2019 inventory balance of \$804,000.

As the statement of financial position as at 31 December 2019 provides the basis for determination of performance, cash flows and changes in equity for the half year ended 30 June 2020, we are unable to determine the impacts, if any, on the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the half year ended 30 June 2020.

Qualified Conclusion

Except for the effects of the matter described in the Basis for Qualified Conclusion, 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 30 June 2020 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 the Group incurred a net loss of \$128,000 after tax during the half year ended 30 June 2020. As stated in Note (2b), 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
Chartered Accountants



CHRIS NICOLOFF CA
Partner

Dated at Perth this 26th day of August 2020