
Kresta

Kresta Holdings Limited
ACN 008 675 803

Half-Year Financial Report

30 June 2016

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Corporate information

ABN 26 008 675 803

Directors

Xianfeng Lu, Executive Chairman
Richard Taylor, Non-executive Director
Andrew Tacey, Executive Director

Company Secretary

Neil Perkins

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 11, 172 St Georges Terrace
Perth WA 6000
Phone: 1300 787 272

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

Bankers

Commonwealth Bank of Australia Limited

Auditors

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
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 2016.

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

Richard Taylor, B.Econ., ACA. (Non-executive Director)

Sean Shwe, B. Com., MBA., AFAIM. (Director & Chief Operating Officer) – Resigned 23 May 2016.

Andrew Tacey, B.Econ. (Director)

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 consolidated entity were the manufacturing, distribution and retailing of window coverings treatments and components. There have been no significant changes in the nature of those activities during the year.

Review and results of operations

The business recorded revenue of \$41,970k which was 10.7% lower than the corresponding period last year. Factors contributing to this reduction in revenue include Vista closing stores across Australia that were not generating profits, Curtain Wonderland Ready Made business was relatively subdued for the period as we went through changes in our in store ranging and our approach to and mix of marketing expenditure.

The Company recorded a net loss for the period of \$840k which compared with a net loss of \$1,981k for the comparative period last year.

Operating cash flow for the period was a positive movement of \$596k reflecting the operating performance of the business and the company's focus on improvements to working capital management. Investing activities were a negative movement of \$900k reflecting investment in new and existing stores, purchase of machinery for our Queensland manufacturing operation.

During the period the company repaid the related party loan provided by The Lylu Trust totalling \$2,000k.

Cash at the end of the period (excluding the intercompany loan) was \$6,234k.

Directors' report (continued)

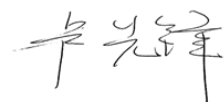
Rounding

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

Auditor's independence declaration

We have obtained an independence declaration from our auditor, Ernst and Young, which is set out on page 4 and forms part of this report.

Signed in accordance with a resolution of the directors.



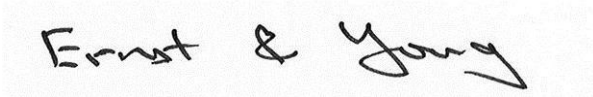
XianFeng Lu
Executive Chairman
Perth, 23 August 2016

Auditor's Independence Declaration to the Directors of Kresta Holdings Limited

As lead auditor for the review of Kresta Holdings Limited for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kresta Holdings Limited and the entities it controlled during the financial period.



Ernst & Young



T G Dachs
Partner
Perth
23 August 2016

Consolidated statement of comprehensive income

For the half-year ended 30 June 2016

		Consolidated	
	Note	June 2016 \$000	June 2015 \$000
Sale of goods		41,970	47,003
Revenue		41,970	47,003
Other income	3a	1,014	175
Changes in inventories of finished goods and work in progress		(1,152)	3,856
Raw materials and consumables used		(9,674)	(17,501)
Employee benefits expense	3b	(19,571)	(21,956)
Depreciation and amortisation charge	3c	(1,013)	(906)
Other expenses	3d	(12,139)	(13,482)
Results from operating activities		(565)	(2,811)
Finance income		22	2
Finance costs		(379)	(86)
Net finance costs	3e	(357)	(84)
Loss before income tax		(922)	(2,895)
Income tax benefit		82	914
Net loss for the period		(840)	(1,981)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net foreign currency translation		5	(12)
Other comprehensive income /(loss) for the period, net of tax		5	(12)
Total comprehensive loss for the period		(835)	(1,993)
Total comprehensive loss attributable to owners of the Company		(835)	(1,993)
Loss per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share		(0.56) cents	(1.32) cents
Diluted loss per share		(0.56) cents	(1.32) cents

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

Consolidated statement of financial position

As at 30 June 2016

		Consolidated	
	Note	June 2016 \$000	December 2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents	11	6,234	8,650
Trade and other receivables		2,687	3,216
Inventories	6	16,285	17,461
Prepayments		1,119	1,766
Total current assets		26,325	31,093
Non-current assets			
Trade and other receivables		12	32
Property, plant and equipment	4	13,465	13,764
Deferred tax assets		4,540	4,271
Intangible assets and goodwill	5	2,571	2,586
Total non-current assets		20,588	20,653
TOTAL ASSETS		46,913	51,746
LIABILITIES			
Current liabilities			
Trade and other payables		10,717	11,865
Interest-bearing loans and borrowings	14	13,809	16,397
Income tax payable		40	-
Provisions		3,596	3,780
Total current liabilities		28,162	32,042
Non-current liabilities			
Interest-bearing loans and borrowings	14	24	85
Provisions		1,237	1,294
Total non-current liabilities		1,261	1,379
TOTAL LIABILITIES		29,423	33,421
NET ASSETS		17,490	18,325
EQUITY			
Contributed equity	9	12,892	12,892
Reserves		(46)	(51)
Retained earnings		4,644	5,484
TOTAL EQUITY		17,490	18,325

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

Consolidated statement of cash flows

For the half-year ended 30 June 2016

	<i>Note</i>	Consolidated	
		June 2016	June 2015
		\$000	\$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		46,911	49,523
Payments to suppliers and employees (inclusive of GST)		(46,127)	(52,779)
Government grant received		-	(3)
Interest received	3e	22	2
Interest paid	3e	(64)	(24)
Income tax (paid) / refund		(146)	-
Net cash flows from / (utilised in) operating activities		596	(3,281)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	4	-	119
Purchase of property, plant and equipment	4	(884)	(1,718)
Purchase of intangibles	5	(16)	(229)
Refund of deposit		-	367
Net cash flows used in investing activities		(900)	(1,461)
Cash flows from financing activities			
Proceeds from borrowings		481	3,770
Repayment of borrowings		(2,595)	(334)
Net cash (used in)/ flows from financing activities		(2,114)	3,436
Net (decrease)/increase in cash and cash equivalents		(2,418)	(1,306)
Net foreign exchange differences		2	(12)
Cash and cash equivalents at beginning of period		8,650	1,235
Cash and cash equivalents at end of period	11	6,234	(83)

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

Consolidated statement of changes in equity

For the half-year ended 30 June 2016

	Ordinary shares	Employee reserved shares	Employee equity benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2016	12,892	-	495	(546)	5,484	18,325
Loss for the period	-	-	-	-	(840)	(840)
Other comprehensive income	-	-	-	5	-	5
Total comprehensive loss for the period	-	-	-	5	(840)	(835)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
At 30 June 2016	12,892	-	495	(541)	4,644	17,490
At 1 January 2015	12,892	69	499	(526)	8,044	20,974
Loss for the period	-	-	-	-	(1,981)	(1,981)
Other comprehensive loss	-	-	-	(12)	-	(12)
Total comprehensive loss for the period	-	-	-	(12)	(1,981)	(1,993)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
At 30 June 2015	12,892	69	499	(538)	6,063	18,985

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

Notes to the consolidated financial statements

For the half-year ended 30 June 2016

1. Corporate information

This consolidated half-year report of Kresta Holdings Limited and its subsidiaries (the Group) for the half-year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 23 August 2016.

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 2016 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 2015.

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The half-year report is presented in Australian Dollars and all values are rounded to the nearest \$'000 except where otherwise indicated.

(b) Going concern

During the half-year ended 30 June 2016, the company had a net loss of \$0.84 million, positive cash flow from operations of \$0.60 million. The Group has a working capital deficiency of \$1.84 million, inclusive of \$13.33 million relating to related party loans from SunTarget (HongKong) Trading Co., Limited (SunTarget), discussed further in note 14. The financial statements have been prepared on a going concern basis as Ningbo Xianfeng New Material Company ("APlus"), a majority shareholder, has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements.

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

Basis of preparation and accounting policies (continued)

(c) New and amended accounting standards and interpretations

The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2015, except for the adoption of new and amended standards and interpretation, that were applicable to the entity, noted below:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]

These amendments are effective for annual periods beginning on or after 1 January 2015. The adoption of these amendments had no material impact on the financial position or performance of the Group.

(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. In preparing the half-year, 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 that applied to the consolidated financial report as at and for the period ended 31 December 2015.

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

3. Revenue, income and expenses

		Consolidated	
		June 2016 \$000	June 2015 \$000
(a) Other income			
Government grants		19	2
Foreign Exchange gains		326	7
Net unrealised gain on related party loan		544	-
Other		125	166
		1,014	175
(b) Employee benefits expense			
Wages and salaries		12,721	14,043
Superannuation expense		1,108	1,195
Employee share-based payment		-	-
Subcontractors fees and related expenses		4,531	5,354
Other employee benefits expense		1,211	1,364
		19,571	21,956
(c) Depreciation and amortisation charge			
Depreciation		993	862
Amortisation of IT software		20	44
		1,013	906
(d) Other expenses			
Advertising		2,587	3,712
Property rent		4,104	3,842
Property outgoings		1,977	1,786
Communication expenses		896	1,032
Banking and transaction expenses		264	298
Impairment loss – receivables		1	37
Net loss from disposal of property, plant & equipment		291	3
Foreign exchange losses		38	116
Net unrealised loss on related party loan		-	32
Freight		829	1,087
Other expenses		1,152	1,537
		12,139	13,482

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

3. Revenue, income and expenses (continued)

	Consolidated	
	June 2016 \$000	June 2015 \$000
(e) Net finance costs		
Finance income	22	2
Finance charges payable under finance leases and hire purchase contracts	(7)	(3)
Other borrowing costs	(372)	(83)
Finance costs	(379)	(86)
Net finance costs	(357)	(84)

4. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a cost of \$977,256 (December 2015: \$1,539,009). Assets with a net book value of \$284,602 were disposed of by the Group during the six months ended 30 June 2016 (December 2015: \$116,198) resulting in a net loss on disposal of \$284,602 (December 2015: loss \$110,239).

5. Intangibles and Goodwill

During the six months ended 30 June 2016, the Group acquired \$21,958 of intangibles (December 2015: \$157,204). Intangible assets with a net book value of \$12,612 were disposed of by the Group during the six months ended 30 June 2016 (December 2015: \$8,750) resulting in a net loss on disposal of \$12,612 (December 2015: loss \$8,750).

6. Inventories

During the six months ended 30 June 2016, the Group incurred a charge of \$11,552 for the write down of inventory to net realisable value (December 2015: \$Nil). This charge is included in 'raw materials and consumables used' in the consolidated statement of comprehensive income. For the six months ended 30 June 2016, there was no write back of previously provided amounts due to the realisation of the inventory and review of the provision (December 2015: \$Nil).

7. Other 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 2016, the Group had the same classes of financial instruments measured at fair value as disclosed in the 31 December 2015 annual report.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

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

During the six month period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

8. Dividends paid and proposed

	June 2016 \$000	June 2015 \$000
(a) Recognised amounts		
<i>Declared and paid during the six month period</i>		
Dividends on ordinary shares:		
Final franked dividend for 2016 Nil (2015: nil)	-	-
(b) Unrecognised amounts		
Dividends on ordinary shares:		
Interim franked dividend for 2016: nil (2015: nil)	-	-

9. Contributed equity

Ordinary shares

	June 2016 \$000	December 2015 \$000
Issued capital - ordinary shares	12,892	12,892
	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.

Ordinary shares (continued)

Movement in ordinary shares on issue

	No. of shares Thousands	\$000
At 1 January 2016	150,258	12,892
Shares issued during the period	-	-
At 30 June 2016	150,258	12,892

10. Segment information

The Group has identified its operating segments based on their internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group operates predominantly in Australia in one operating segment being the manufacture and sale of window coverings and no segment report has therefore been included in the financial statements.

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

11. Notes to the cash flow statement

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

	Consolidated	
	June 2016	June 2015
	\$000	\$000
Cash at Bank	6,234	-
Overdraft Facility	-	(83)
Cash at bank and on hand	6,234	(83)

12. Commitments

Capital commitments

There are no capital commitments as at 30 June 2016 (December 2015: \$Nil).

13. Events occurring after the reporting date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of the Group, or the state of affairs of the Group, in future financial years.

14. Interest-bearing loans and borrowings

	Consolidated	
	June 2016	December 2015
	\$000	\$000
Current		
Software licence finance loan	145	145
Insurance finance loan	336	390
Related Party Loan	13,328	15,862
	13,809	16,397
Non-current		
Software licence finance loan	24	85
	24	85

Related Party Loan

At reporting date, the company has two unsecured loans from Suntarget (HongKong) Trading Co., Limited, a subsidiary of Ningbo Xianfeng New Material Company ("Aplus"). The initial loan received in March 2015, was for RMB16,000,000. This loan has been extended with a fixed interest rate of 5% per annum and an expiry date of 30 June 2017. The second loan for RMB50,000,000 expires December 2016. The interest rate on this loan is fixed at 5% per annum. Both loan contracts require both parties to agree to any extensions of the loan term.

During the period, the Company repaid the loan provided by The Lylu Trust totalling \$2,000,000.

Software licence finance loan

Software licence finance loan has a zero interest rate.

Insurance finance loan

Insurance finance loan has a fixed rate of 1.20%.

Notes to the consolidated financial statements (continued)

For the half-year ended 30 June 2016

15. Related Party Transactions

During the half year the following transactions and total outstanding balances have been entered into with related parties:

- Moon Lake Investments Pty Ltd ("Moon Lake Investments") was incorporated in October 2015 and is owned by Mr X. Lu. During the period Kresta Holdings Limited paid invoices on behalf of Moon Lake Investments amounting to \$400,708 and is still owed \$400,708 as at the 30 June 2016.
- Kresta Holdings has also paid invoices amounting to \$31,429 during the period on behalf of Mr Lu, with \$57,767 being outstanding at the 30 June 2016.

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 and settlement occurs in cash. There have been no guarantees received for any related party payables.

Directors' declaration

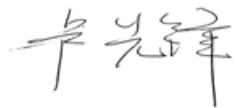
In accordance with a resolution of the directors of Kresta Holdings Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Kresta Holdings Limited for the half-year ended 30 June 2016 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 2016 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.

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

On behalf of the board



Xianfeng Lu
Executive Chairman

Perth, 23 August 2016

Independent auditor's report to the members of Kresta Holdings Limited

Report on the half-year financial report

We have audited the accompanying half-year financial report of Kresta Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time 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 internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the half-year financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the half-year financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the half-year financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the half-year financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the half-year financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the half-year financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

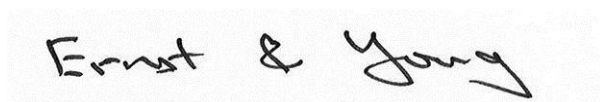
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion, the half-year financial report of Kresta Holdings Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
23 August 2016