



Kresta Holdings Limited
ACN 008 675 803

Half-Year Financial Report

30 June 2023

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Corporate information

ABN 26 008 675 803

Directors

Xianfeng Lu, Executive Chairman
MingMing Zhang, Executive Director
Linling Ye, Non-executive Director

Company Secretary

Xinyang Liu

Registered Office and Principal Place of Business

380 Victoria Road
Malaga WA 6090
Australia
Phone: +61 8 6370 2614
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

Bankers

Commonwealth Bank of Australia Limited
Level 2
300 Murray Street
Perth WA 6000

Auditors

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
Subiaco
WA 6008

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 2023.

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)

Linling Ye (Non-executive 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 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 has been a leading retailer of window furnishings for over 40 years. It markets and sells through a large number of outlets located throughout Australia and also has a presence in New Zealand. The Group sources finished products from local and overseas contract suppliers at competitive prices and acceptable delivery time to customers. The Group has been focusing on product delivery including increased efficiency and accuracy via its self-developed customer management software and has been improving in product lead time since 2019.

The Group recorded revenue of \$20,377,000 (2022: \$18,417,000) which was 10.64% higher than the corresponding period. The performance of the financial years 2022 and 2021 were greatly affected by the outbreak of Covid-19. However, the Group has been in the stage of recovery from the pandemic since early 2022. The Group recorded a net profit for the period of \$1,450,000 compared with a net profit of \$128,000 for the comparative period.

On a cashflow basis, the Company recorded a cash inflow of \$391,000 (2022: \$2,057,000 outflow) reflecting the operating performance of the business. Cash at the end of the period was \$917,000 (2022: \$876,000).

Events after reporting date

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

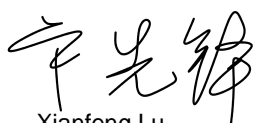
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

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

Xianfeng Lu

Executive Chairman

3 August 2023

Perth

To the Board of Directors,

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

As lead audit Director for the review of the financial statements of Kresta Holdings Limited for the financial period ended 30 June 2023, 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

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF CA
Director

Dated this 3rd day of August 2023
Perth, Western Australia

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2023

	Note	Consolidated	
		June 2023 \$000	June 2022 \$000
Continuing operations			
Revenue from contracts with customers	3a	20,377	18,417
Revenue		20,377	18,417
Other income	3b	389	330
Finished goods and consumables used		(9,784)	(9,673)
Employee benefits expense	3c	(5,192)	(5,003)
Depreciation and amortisation charge	3d	(1,179)	(1,158)
Other expenses	3e	(2,931)	(2,509)
Results from operating activities		1,680	404
Finance income		27	1
Finance costs		(257)	(277)
Net finance expense	3f	(230)	(276)
Profit/(Loss) before income tax		1,450	128
Income tax benefit/(expense)		-	-
Net Profit/(loss) for the period from continuing operations		1,450	128
Total comprehensive profit/(loss) attributable to owners of the Group		1,450	128
Earnings/(Loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share (cents per share)			
from continuing operations		0.97	0.09
		0.97	0.09
Diluted earnings/(loss) per share (cents per share)			
from continuing operations		0.97	0.09
		0.97	0.09

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

Condensed consolidated statement of financial position

As of 30 June 2023

	Note	Consolidated	
		June 2023	December 2022
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	4	917	528
Trade and other receivables	5	918	36
Inventories	6	717	684
Prepayments		32	178
Total current assets		2,584	1,426
Non-current assets			
Property, plant and equipment		237	194
Right of use asset	13	6,650	6,051
Intangible assets and goodwill		68	10
Other assets	7	2,181	2,132
Total non-current assets		9,136	8,387
TOTAL ASSETS		11,720	9,813
LIABILITIES			
Current liabilities			
Trade and other payables	9	6,471	6,556
Interest-bearing loans and borrowings	12	-	76
Provisions		1,382	1,259
Lease liabilities	13	2,382	2,125
Total current liabilities		10,235	10,016
Non-current liabilities			
Interest-bearing loans and borrowings	12	9,032	9,032
Provisions		457	503
Lease liabilities	13	5,547	5,261
Total non-current liabilities		15,036	14,796
TOTAL LIABILITIES		25,271	24,812
NET LIABILITIES		(13,551)	(14,999)
EQUITY			
Contributed equity	11	12,892	12,892
Reserves		(94)	(92)
Accumulated losses		(26,349)	(27,799)
TOTAL EQUITY		(13,551)	(14,999)

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 2023

	Ordinary shares	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$000	\$000	\$000	\$000	\$000
At 1 January 2023	12,892	496	(588)	(27,799)	(14,999)
Profit for the period	-	-	-	1,450	1,450
Other comprehensive profit	-	-	(2)	-	(2)
Total comprehensive profit for the period	-	-	(2)	1,450	1,448
At 30 June 2023	12,892	496	(590)	(26,349)	(13,551)
At 1 January 2022	12,892	495	(595)	(28,982)	(16,190)
Profit for the period	-	-	-	128	128
Other comprehensive profit	-	-	32	-	32
Total comprehensive profit for the period	-	-	32	128	160
At 30 June 2022	12,892	495	(563)	(28,854)	(16,030)

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 2023

	Note	Consolidated	
		June 2023	June 2022
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		19,994	17,669
Payments to suppliers and employees		(18,067)	(18,216)
Interest received	3f	27	1
Interest paid	3f	(257)	(277)
Government subsidies		1	1
Income tax paid		-	-
Net cash flows from/(used in) in operating activities		1,698	(822)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(169)	(167)
Net cash flows (used in)/from investing activities		(169)	(167)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Lease payments		(1,138)	(1,068)
Net cash flows (used in)/from financing activities		(1,138)	(1,068)
Net increase/(decrease) in cash and cash equivalents		391	(2,057)
Net foreign exchange differences		(2)	32
Cash and cash equivalents at beginning of period		528	2,901
Cash and cash equivalents at end of period	4	917	876

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 2023

1. Corporate information

This consolidated half-year report of Kresta Holdings Limited and its subsidiaries (collectively, the Group) for the half-year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 3 August 2023.

Kresta Holdings Limited is a company limited by shares incorporated in Australia whose shares were publicly traded on the Australian Stock Exchange. However, it was removed from the Australian Securities Exchange (ASX) official listing on 16 September 2020. 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. 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 2023 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 2022.

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 profit for the period of \$1,450,000 (2022: profit \$128,000) and net cash inflow of \$391,000 (2022: outflow \$2,057,000).

As of 30 June 2023, the Group has a working capital deficit of \$7,651,000 (2022: deficit \$7,851,000).

The management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. With the changes from 30 June 2023 accounts sign-off, the following factors were considered in reaching this position:

- Financial support from the parent company Dream Curtain Holdings in the form of interest-bearing loan and the director, Xianfeng Lu personally remain in place
- Continued support from the Group's main creditor
- The Group's continuing efforts in cost control
- Sales are expected to increase following the recruitment of new Regional Managers and sales consultants

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.

(c) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(d) New accounting standards and interpretations

(i) Standards and interpretations applicable to 30 June 2023

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 2022. 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 2023. 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.

(e) 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, estimates 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 2022.

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

	June 2023 \$000	June 2022 \$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	20,377	18,417
	<u>20,377</u>	<u>18,417</u>
No reconciling items between revenue from contracts with customers and segments and segments disclosure.		
(b) Other income		
Other income	388	329
Jobkeeper payment	1	1
	<u>389</u>	<u>330</u>
(c) Employee benefits expense		
Wages and salaries	4,092	3,933
Superannuation expense	396	372
Subcontractors fees and related expenses	7	2
Other employee benefits expense	697	696
	<u>5,192</u>	<u>5,003</u>
(d) Depreciation and amortisation charge		
Depreciation	40	74
Right of use amortisation	1,080	1,024
Amortisation of IT software	59	60
	<u>1,179</u>	<u>1,158</u>
(e) Other expenses		
Advertising	1,747	1,406
Property outgoings	509	546
Communication expenses	138	135
Banking and transaction expenses	67	79
Foreign exchange losses	(5)	(13)
Other expenses	475	356
	<u>2,931</u>	<u>2,509</u>

	Consolidated	
	June 2023 \$000	June 2022 \$000
(f) Net finance expense		
Finance income	27	1
Finance charges payable under finance loans	(188)	(195)
Related party loan and trade payables	(69)	(82)
Other	-	-
Finance costs	(257)	(277)
	(230)	(276)

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 2023 \$000	December 2022 \$000
Cash at bank and on hand	917	528
	917	528

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents approximate fair value.

5. Trade and other receivables

	Consolidated	
	June 2023 \$000	December 2022 \$000
Trade receivables ^(a)	3	11
Other receivables ^(b)	915	25
	918	36

(a) Trade receivables are non-interest bearing and are generally recognised immediately after installation. An allowance for expected credit losses is recognised based on the “simplified credit loss approach” model. No impairment allowance (December 2022: \$nil) has been recognised by the Group during the period.

(b) Other receivables are non-interest bearing.

6. Inventories

During the six months ended 30 June 2023, the Group decreased the obsolete stock provision to \$nil. (December 2022: \$nil).

	Consolidated	
	June 2023	December 2022
	\$000	\$000
At lower of cost and net realisable value:		
Finished goods – at realisable value	717	684
	<u>717</u>	<u>684</u>

7. Other assets

	Consolidated	
	June 2023	December 2022
	\$000	\$000
Bank guarantee and security Deposit	2,181	2,132
	<u>2,181</u>	<u>2,132</u>

8. 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. As of 30 June 2023, the Group had the same classes of financial instruments measured at fair value as disclosed in the 31 December 2022 annual report.

9. Trade and other payables

	Consolidated	
	June 2023	December 2022
	\$000	\$000
Current		
Trade payables	955	1,129
Other payables	1,015	966
Customer deposits	4,334	4,223
Goods and service tax	167	238
	<u>6,471</u>	<u>6,556</u>

10. Dividends paid and proposed

No dividends were paid or proposed during the half – year (30 June 2022: \$nil)

11. Contributed equity**Ordinary Shares**

	June 2023 \$000	December 2022 \$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
As of 1 January 2023	150,258,518	12,892
Shares issued during the period	-	-
As of 30 June 2023	150,258,518	12,892

12. Interest-bearing loans and borrowings

	Consolidated	
	June 2023 \$000	December 2022 \$000
Current		
Insurance finance loan (b)	-	76
	-	76
Non-current		
Related Party Loan (a)	9,032	9,032
	9,032	9,032

(a) Related Party Loan

On 28 October 2019, Van Dairy had transferred its 84.35% shareholding and loans to Dream Curtain Holdings Co., Limited (DCH) under an internal restructuring. DCH has agreed to help with Kresta's debts in favour of all other creditors of Kresta in order that Kresta may continue trading. DCH has also agreed to provide further \$10 million advancement should Kresta require.

On 30 November 2020, the Supplement to the Deed of Parent Company Support was signed for the purpose of consolidating various debts. Under this agreement, DCH has agreed to takeover the debts that Kresta owed to the major suppliers. The Supplement to the Deed was effective from 30th November 2020 until 31st December 2022 with the interest calculated at 1.5% commencing 31 October 2020. Kresta is not required to repay the loan until the expiry of the Supplement to the Deed. On the 1st August 2022, the loan has been further extended for 2 more years until 31 December 2024 with all the other terms remain unchanged.

(b) Insurance finance loan

Insurance finance loan is an unsecured loan that has a fixed rate of 3.49% (2022: 3.35%) and which has been fully paid in March 2023.

13. Right-of-use assets and lease liabilities

	Consolidated	
	June 2023 \$000	December 2022 \$000
Right-of-use Assets		
Non-current	6,650	6,051
Lease liabilities		
Current	2,382	2,125
Non-current	5,547	5,261
	7,929	7,386

14. Contingencies

There has been no change in contingent liabilities since annual reporting period (31 December 2022: \$nil).

15. Related party transactions

During the half year the group has been purchasing its finished goods from related parties Ningbo Zhexiang Trading 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 half year 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.

16. 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.

17. Events occurring after the reporting date

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

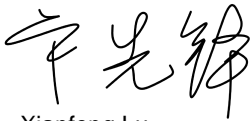
In accordance with a resolution of the directors of Kresta Holdings Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Kresta Holdings Limited for the half-year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Group's financial position as of 30 June 2023 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 August 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KRESTA HOLDINGS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Kresta Holdings Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a. Giving a true and fair view of the Kresta Holdings Limited financial position as at 30 June 2023 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*.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

The directors of the Kresta Holdings Limited 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 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*.

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.



HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF CA
Director

Dated this 3rd day of August 2023
Perth, Western Australia