

20 December 2018

ASX ANNOUNCEMENT

Corporate update and completion of strategic review

Key highlights

- **Strategic review completed and implementation of the review outcomes is under way**
- **Half-year accounts finalised and lodged**
- **Sales growth plan**

Strategic Review Outcomes

On 31 August 2018, Kresta Holdings Limited (ASX:KRS) (the **Company**) announced that it would conduct an operational and strategic review designed to enhance shareholder value.

The Company engaged Mr Roy Sammartino to assist in the review. Mr Sammartino brings more than 30 years of experience in the retail industry, holding senior executive roles in growing retail companies both in Australia and internationally.

That review is now completed.

As a result of the strategic review, the Board has identified four key priorities for the Company going forward:

1. Improve the Company's organisational structure
2. Focus on the national Krestec System roll out
3. Reduce the Company's retail footprint
4. Implement a sales revenue increase plan

These priorities will form the basis of the Company's operational plan and strategic focus going forward.

Implementation of Strategic Review Outcomes

Organisational Structure

The strategic review identified inefficiencies in the Company's organisational structure.

Accordingly, the Company will begin the implementation of an improved organisational structure, including the recruitment of Group HR Manager, which is now underway.

The executive leadership team has also been strengthened with the recent internal promotion of Chin Tan as Group Financial Controller.

Further efficiencies will be obtained through:

- consolidation of financial and payroll teams in the Company's head office in Western Australia; and
- leasing underutilised facilities owned by the Company, which will generate potential rental income of \$1.1 million to \$1.3 million per annum.

Krestec System roll out

The Company has developed the Krestec System, a custom designed proprietary software solution to streamline its sales, ordering and fitting processes.

Krestec System operates on in-store tablets and desktop systems throughout the business. It enables quotes and custom measurements from sales consultants to be communicated directly to the Company's ordering and supply channels, minimising traditional paperwork and back-office communications. The Company anticipates the Krestec System will enable customer orders to be processed 2 to 3 working days faster than before.

This will transform the Company's operational systems, eliminate manual data entry errors and streamline the whole business process.

The Krestec System will enable faster and more accurate product delivery which will ensure a better customer service experience.

The Company is now focussed on rolling out the Krestec System nationwide.

Retail footprint review

The Board and management team has also reviewed the Company's retail footprint and identified a number of loss-making stores.

As part of the process to implement the strategic review outcomes, the Company will evaluate the feasibility of rationalising its retail footprint and closing loss-making stores.

The Company anticipates this action may result in a reduction of its retail store footprint by approximately 10 to 15 percent.

Sales Growth plan

The Company has also identified the need to expand the sales force for the custom made window treatment business sector.

In conjunction with an expanded sales team, the Company has implemented new incentive programmes aimed at improving staff effectiveness.

Starting from November the Company has already recorded significant sales improvement from the new sales force, and it projects these initiatives will drive an increase in revenue of \$3 million to \$4 million in the next 12 months.

Half-year accounts

The Company has lodged its Half Year Financial Report for the period ending 30 June 2018, which record:

- revenue of \$28.22 million;
- a net loss of \$14.27 million, which is primarily attributable to writing down of goodwill, PPE, inventory and for onerous leases; and
- net cash outflows from operations of \$583,000.

Parent company support

The Company is pleased to announce that the Company's major shareholder, Suntarget (Hong Kong) Trading Co., Limited (**Suntarget**), and the Company's ultimate parent entity Ningbo Xianfeng New Material Co., Ltd (**APLus**), have entered into a formal deed of parent company support with the Company.

Pursuant to the deed of parent company support, Suntarget and APlus have each agreed to advance a subordinated, unsecured, interest-free loan to the Company of up to \$10 million upon the Company's request. Any such loan is repayable 18 months after the date of the advance.

For further information please contact:

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