



Kresta Holdings Limited

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18 November 2014

ASX ANNOUNCEMENT

AGM Executive Management Presentation (ASX:KRS)

Please find attached the script from the Executive Management presentations planned during the AGM today.

For further information please contact:

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Company Secretary
Kresta Holdings Limited
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About Kresta

Kresta is a leading national window furnishings manufacturer and retailer. The Company has been manufacturing blinds for over 40 years, and is now the largest window coverings manufacturer / retailer in Australia and New Zealand, employing approximately 700 people. Kresta's brands include: Kresta Blinds, Vista Window Coverings, Decor2Go, Curtain Wonderland, Ace of Shades and Mardo. For further information, see www.kresta.com.au



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AGM Address

18 November 2014

Chairman – Richard Taylor

Company Secretary & Chief Financial Officer - Brendan Cocks

Executive Director & Chief Operating Officer - Sean Shwe

CHAIRMAN OPENING

This is our first general meeting since the takeover bid for Kresta made by Aplus in August this year. Aplus is the trading name for Ningbo Xianfeng New Materials Co Ltd a company listed on the Shenzhen Stock Exchange. At the completion of that takeover bid, Aplus had acquired 84.35% of Kresta.

Mr Lu who is our Managing Director is also the Managing Director of Aplus. He has deep experience in the manufacture and sale of sun screening materials and products as he built Aplus in China from scratch in 2003 to a company that exports to over 70 countries and has a market cap of approximately A\$250m. He also has great energy and enthusiasm for the Kresta business and is systematically working with his management team to improve key areas of our business – Sean Shwe our chief operating officer will give us further insights in this regard.

So I would say one of the key areas of difference in the way the company is now run under Mr Lu is that there is a willingness to invest in improvements and changes. Some of these will bear fruit in the short term and other will take longer to have an impact.

We are also now much more strongly focussed on growth initiatives both organically and through acquisitions.

In this regard, we are actively seeking opportunities to buy good businesses that will fit into existing operations. At this stage, nothing has progressed to the stage requiring an announcement.

I would now like to invite Brendan Cocks to provide details of the results for 2014 and then for Sean Shwe to discuss some of the business initiatives the group is undertaking.

FINANCIAL YEAR SUMMARY from CFO

The Company recorded a mixed financial result in a year where the Company went through a significant period of internal and external change.

The Company commenced the year with a focus on transition with a priority on reducing fixed costs in our “In Home” made to measure businesses and restoring a minimum level of profitability. This process resulted in the closure of 16 stores across the country allowing us to rationalise our retail footprint and reduce our fixed retail servicing costs.

With a changing landscape with our shareholder base, and movement and changes in our Board and executive team, capital investment was subdued during the majority of the year; however, we did pay off all our remaining bank debt during the first quarter of the year.

In the last quarter of the year once a number of Board and shareholder changes had taken effect the focus moved to an increase in investment in our business for future long term growth. The initial focus was to consolidate and invest in the remaining showroom and retail footprint and revisit our back end procurement arrangements.

I have placed the key financials on the board above.

While the Company recorded a net after tax loss of \$1.4m the result reflected both a continuation of subdued trading conditions for the business and a number of cash and non cash charges, as we transitioned the business which included:

- A non cash charge to our inventory and warranty provisions of \$1.4m reflecting the current transition of a number of material supplier arrangements
- A non cash charge of \$0.3m for the early vesting of 4 million LTI shares
- Approximately \$1.1m of costs relating to store closures and restructuring.

On a positive note the Company generated an operating cash inflow of \$2.4m for the year which was an improvement from \$1.5m the prior year. The balance sheet at June contained no Bank debt and a cash position of \$5.7m (compared with \$5.2m in 2013).

With no debt the Company is well placed to embark on a renewed strategic plan under the new shareholder and Board structure.

INTRODUCTION AND ADDRESS from COO

Ladies and Gentlemen

I am pleased to be here today at our 2014 AGM; my first of what I hope will be many AGMs as an executive director and COO, of your company.

Given Kresta's subdued performance in the last few years, it is understandable that, as shareholders, you are wondering what we will be telling you differently.

OPERATIONAL STRATEGY

Let me start with 'Strategy'.

We are re-crafting our long term strategy, one that focuses on growth. We aim to grow the KHL portfolio of brands, and turn each of them into leading brands, generating competitive returns.

To pursue our long-term growth aspirations, it is essential that we continue to build on our core competencies, and to continuously improve the back-end operations of Mardo.

To this end:

- We have, and are continuing, to acquire new talent into our head office team, which already has some of the most talented people in our industry.
- Under the leadership of our new MD, Mr Lu, we are transitioning to new supply arrangements that in turn, will provide KHL brands with a distinct competitive advantage over our competitors.
- We also have plans underway to increase our Australian manufacturing base to increase quality and lead time – all with *total customer satisfaction* in mind.

- Many believe “Australian Made” comes with a “high price tag”. Australian Made does not have to be more costly than imports, that is why we are:
 - ✓ Investing in automation with faster, more efficient manufacturing machinery and equipment
 - ✓ Planning to introduce a second wave of lean training, having recently completed the first wave
 - ✓ Relocating our Brisbane operations to a much bigger facility, in order to expand our East Coast manufacturing base.

These are our backend projects for the next 12 months.

Now, let me turn your attention to our front-end projects; projects that will deliver ‘organic growth’ for the future.

- Approximately 8-9% of our total revenue is spent on marketing and advertising. As we plan to grow and expand our own business, we need to make sure that we are applying rigorous efficiencies in this area. Optimising the advertising mix, to generate leads tactically for planned growth activities, and to build a stronger brand presence. This means investing more in media that generates the best ROIs, and less in the areas where we cannot add value for our shareholders.
- For our custom made business that accounts for 60% of revenue, we are working on a ‘state by state’ plan, taking into account our relative strengths in each state and the fact that most of our competitors are state-based operators. This will be a multi-level program – considering our brands in some states are ready to pursue growth and, in others, ‘turnaround’ initiatives are being. Obviously, the implementation of this ‘state by state’ plan is going to be a key focus for us this year.
- For our ready-made business Curtain Wonderland, we have in place a more aggressive growth plan. This year we have been busy introducing more product lines into our existing stores. From this we should see a far better contribution at store level. Our plan for CW is to significantly increase our national retail footprint. New stores will be opened commencing early next year.

SUMMARY

FY 2014/2015 is a year where we are changing our emphasis and approach. This change in our focus has come about through changes in our major shareholders, and the successful takeover of KHL by *Aplus*. Aplus stands ready to support KHL in its efforts to take the group to the next level, and create a conglomerate within the broader industry.

KHL has a rich opportunity set and we are currently reviewing our capital and funding requirements.

CLOSING

Allow me to end my part of the AGM by recapping our priorities for your company.

- Our retail strategy has been re-crafted, focussing on a 'growth pivot'
- We have plans implemented, or underway, to strengthen our core competencies. We will continue to work hard on back-end operations to provide the competitive edge for the front-end teams
- For our custom made business, our state by state plan will be implemented based on the readiness of each state for growth
- As with our readymade business, aggressive organic growth plans to increase our store network will take off from early next year
- Last but not least, now that we are part of the larger group Aplus, we are well positioned to pursue growth via non organic means as well.

With this, I conclude my AGM briefing.