

Kresta Holdings Limited
A.B.N. 26 008 675 803

389 Victoria Road
MALAGA WA 6090

PO Box 3036
MALAGA DC WA 6945

Telephone: (08) 9249 0781
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4 January 2011

The Manager
Company Announcements Officer
Australian Securities Exchange Limited
Level 4, 20 Bridge St
SYDNEY NSW 2000

By ASX Online
Number of pages: 23
(including this page)

Dear Sir

RE: NOTICE OF GENERAL MEETING

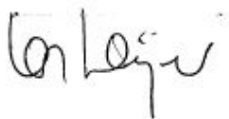
The Directors of Kresta Holdings Limited have been requested to convene a General Meeting of shareholders by substantial shareholder Hunter Hall Investment Management Limited.

Enclosed is notice of General Meeting and a sample proxy form which are to be mailed to all shareholders this week.

The meeting will be held on Monday, 14 February 2011 at 11.00 am.

Any queries relating to the meeting should be directed to Ian Leijer on (08) 9249 0748

Yours faithfully,
Kresta Holdings Limited

A handwritten signature in dark ink, appearing to read "Ian Leijer", written over a faint, light-colored rectangular stamp.

Ian Leijer
Company Secretary

Kresta

Kresta Holdings Limited

ABN 26 008 675 803

Notice of General Meeting
requisitioned by shareholder pursuant to section 249D of the Corporations
Act 2001 (Cth)

A PROXY FORM IS ENCLOSED

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting, please complete and return the enclosed Proxy Form in accordance with the specified directions.

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4 January 2011

Dear Shareholder,

Notice of General Meeting

Cogent Nominees Pty Ltd (**Cogent**) on behalf of Hunter Hall Investment Management Limited (as the responsible entity for certain funds) (**Hunter Hall**) has requisitioned a general meeting of Kresta Holdings Limited (**Kresta**) under the Corporations Act 2001 (Cth), seeking to replace two of the three members of the Kresta Board of Directors with its nominees.

The general meeting is to be held at 11.00am (WST) on Monday, 14 February 2011 at 380 Victoria Road, Malaga, Perth, WA 6945.

The effect of approving the resolutions proposed by Hunter Hall at the general meeting would be to reconstitute your Board such that it comprises a majority of directors nominated by Hunter Hall.

In my view, it is not appropriate for Hunter Hall, a shareholder with less than 20% of Kresta's shares, to achieve effective control of the Kresta Board in this way.

As an independent director and the only director who Hunter Hall is not seeking to remove, I wish to advise that I strongly support the retention of Mr Ian Trahar and Mr Peter Hatfull as directors and **I recommend that shareholders vote "NO" to all of the resolutions.**

If a majority of shareholders vote AGAINST all resolutions, you will retain your existing Board.

This is a critical decision that will determine the future of your company, and I urge you to exercise your right to vote by either attending the meeting in person, or lodging the enclosed proxy form before 11am (WST) on Saturday, 12 February 2011.

The notice of meeting and explanatory statement is attached. Also included are directors' statements by each of Mr Ian Trahar and Mr Peter Hatfull, being the directors which Hunter Hall has sought to replace and a member's statement by Hunter Hall. The company is obliged to include these statements and unless addressed specifically in the Company's disclosures, we do not comment on them.

Yours sincerely

Kresta Holdings Limited



Mr Trent Bartlett
Non-Executive Director

Kresta Holdings Limited
ABN 26 008 675 803

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the members of Kresta Holdings Limited ("Company") will be held at 380 Victoria Road, Malaga, Perth, WA 6945 at 11am (WST) on Monday, 14 February 2011.

BUSINESS

The business of the meeting will consist of the following:

RESOLUTIONS

1. Election of Director – Mr Richard Hazen Taylor

"That, Mr Richard Hazen Taylor, having consented to act, be elected a Director of the Company."

2. Election of Director – Mr John Molloy

"That, Mr John Molloy, having consented to act, be elected a Director of the Company."

3. Removal of Director – Mr Ian Norman Trahar

"That, for the purposes of section 203D of the Corporations Act 2001 (Cth) and for all other purposes, Mr Ian Norman Trahar be removed as a Director of the Company with immediate effect."

4. Removal of Director – Mr Peter Ernest Hatfull

"That, for the purposes of section 203D of the Corporations Act 2001 (Cth) and for all other purposes, Mr Peter Ernest Hatfull be removed as a Director of the Company with immediate effect."

PROXIES

In accordance with Section 249L of the Corporations Act 2001 (Cth) (**Corporations Act**), members are advised;

- (a) each member has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company;
- (c) a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy appointed is allowed to exercise.

How to exercise your right to vote

All holders of ordinary shares appearing on the Company's share register at 11am (WST) on Saturday 12 February 2011 are entitled to attend and vote at the meeting.

Jointly held shares

If your shares are jointly held, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held shares, only the vote of the holder whose name appears first on the register will be counted. You need not exercise all of your votes in the same way, nor need you cast all of your votes.

Voting by Proxy

If you cannot attend, you may appoint a proxy to attend and vote for you. A proxy does not have to be a shareholder of the Company.

To ensure that all shareholders can exercise their right to vote on each proposed resolution, a Company proxy form is enclosed with this notice of general meeting together with a reply paid envelope.

The shareholder may specify the way in which the appointed proxy is to vote at its discretion. In accordance with Section 250BA of the Corporations Act, the Company specifies the following for the purposes of receipt of any proxy appointments:

By Mail:	Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia
Facsimile No.:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
Enquiries:	1300 850 505 (within Australia) + 61 3 9415 4000(outside Australia)

Proxies should be received not less than 48 hours before the time of the meeting, that is, by 11am (WST) on Saturday 12 February 2011.

In accordance with regulation 7.11.38 of the Corporations Act Regulations, the Company determines that Shares held as at 11am (WST) on Saturday 12 February 2011 will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

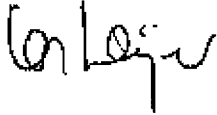
Power of Attorney:

to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

By Order of the Board



Mr Ian Leijer
Kresta Holdings Limited
Company Secretary

Dated: 4 January 2011

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY NOTICE OF GENERAL MEETING

INTRODUCTION

This Explanatory Memorandum forms part of a Notice convening the General Meeting of the Company to be held on Monday, 14 February 2011 and has been prepared to assist shareholders in understanding the background to the business to be transacted at the General Meeting.

BACKGROUND

The Company has received a notice pursuant to section 249D of the Corporations Act (the "Notice") to convene a general meeting for the purpose of seeking approval of members to replace Mr Ian Trahar and Mr Peter Hatfull as directors of the Company with Mr Richard Taylor and Mr John Molloy.

The Notice was submitted by Cogent Nominees Pty Ltd as nominee for BNP Paribas Fund Services Australia Pty Ltd acting as custodian for Hunter Hall Investment Management Limited (as the responsible entity for Hunter Hall Value Growth Trust, Hunter Hall Australian Value Trust and Hunter Hall Global Value Limited) ("**Hunter Hall**").

STATEMENT BY CURRENT DIRECTORS

A statement by each of Mr Ian Trahar and Mr Peter Hatfull in accordance with section 203D(5) of the Corporations Act is attached.

STATEMENT BY HUNTER HALL

A statement to shareholders by Hunter Hall under section 249P of the Corporations Act is also attached (**Hunter Hall's Statement**).

The Board disagrees with a number of statements contained in Hunter Hall's Statement, and has sought to clarify those matters in this Explanatory Memorandum so as to assist shareholders in making an informed decision.

DIRECTORS' RECOMMENDATIONS REGARDING THE BOARD

Mr Ian Trahar has been a non-executive director of the Company for only approximately 9 months and non-executive Chairman for approximately 6 months. Mr Peter Hatfull has been a non-executive director since July 2009. The other non-executive director, Mr Trent Bartlett, has been a director of the company since November 2003.

The Board of Directors ("Board") has been proactive in addressing serious issues in the Company's accounting for inventory and in the systems and processes for inventory management. The new Board sought relevant information on these issues from management employed and accountable at that time. The information, when received in late August 2010, indicated that there was a significant level of slow moving inventory. The Board appointed Deloitte to conduct an independent review of the value of this stock and as a result of the review, the net realisable value of the inventory was written down by \$5.8 million. This was subsequently confirmed by the Company's auditors Ernst & Young

Senior management in charge at that time, namely Mr Tass Zorbas and Mr Thye Tan, are no longer with the Company. The Board has moved quickly and effectively to implement new controls and systems and to create a new senior executive team.

While the stock valuations investigations were being undertaken, the Board discovered that the then senior managers were corresponding with officers of Hunter Hall in relation to appointment and removal of directors of the Company. At the time of the inventory review, this was not known by the Board.

Hunter Hall has now sought to remove 2 of the 3 existing Board members. These nominees, if elected, may effectively control the Board. The existing Board considers that if control of the Company were to change it would be appropriate for the controlling parties to make a takeover bid for the Company.

Mr Hatfull was previously nominated to the Board by Hunter Hall as an independent director. The other directors of the Company consider Mr Hatfull acts independently in the interests of all shareholders and has been a driving force in improving corporate governance and inventory reporting.

The current senior executive team and many of the senior managers in the business have indicated that they do not support the resolutions proposed by Hunter Hall.

As the only director not subject to a resolution to remove him as a director of the Company, Mr Trent Bartlett recommends that Shareholders **VOTE AGAINST ALL RESOLUTIONS**. This will retain the current non-executive directors, Mr Trahar and Mr Hatfull.

Mr Bartlett also wishes to note that:

- since Mr Hatfull joined the Board in July 2009 at Hunter Hall's request, Mr Hatfull has at all times conducted himself with the utmost integrity and professionalism, and exercised his own independent judgment on decisions at Board level. In Mr Bartlett's opinion, Mr Hatfull's business experience, Board experience and financial acumen allow him to make a very valuable and effective contribution to the Board.
- since joining the Board in February 2010, Mr Bartlett has found Mr Trahar to be a highly valued Board member and now Chairman of the Company. Mr Trahar's involvement in many diverse public and private businesses, including retailing, brings a wealth of commercial acumen to the Board. In addition his Board experience of over 25 years and his exceptional business and financial skills makes him an asset to any Board.

Mr Trahar, who declares that he has an interest in the resolution which seeks to remove him as a director, recommends that Shareholders **VOTE AGAINST ALL RESOLUTIONS**. This will retain the current non-executive directors.

Mr Peter Hatfull, who declares that he has an interest in the resolution which seeks to remove him as a director, recommends that Shareholders **VOTE AGAINST ALL RESOLUTIONS**. This will retain the current non-executive directors.

TRADING UPDATE

As announced at the Company's AGM in November 2010, the Company's earnings before interest and tax (**EBIT**) was down around 50% for the first quarter of FY11 and this trend has continued with year to date November EBIT being down by a similar amount.

The Board shares Hunter Hall's concerns with respect to the decline in EBIT over the year to date. It is worth noting however that the members of senior management that have now left the Company, namely Mr Zorbas and Mr Tan (who Hunter Hall notes in Hunter Hall's Statement presided over the record sales in FY2010), were in control of the business for the first 2 months of the current year. EBIT for this 2 month period was down by approximately 50% from the prior year, in line with the decline experienced for the entire first quarter.

As noted above, Mr Zorbas and Mr Tan, being the Company's former managing director and chief financial officer respectively and so accountable for the August year to date earnings, left the business during September. The new executive has started to implement changes aimed at improving the future profitability of the business.

In addition, the Board notes there are certain economic factors that are affecting the results which are outside of management's control. The Board believes that the Federal Government stimulus package had a positive effect on the Company's sales during the 2010 financial year particularly the first half of that year being the period to December 2009. The winding back of that stimulus and recent interest rate rises have, in your Board's opinion, had a significant negative impact on the Company's sales for the 2011 financial year to date relative to the previous comparable period. Furthermore, Reserve Bank data and commentary shows that the savings rate for Australian households increased over the 2010 calendar year, at the expense of discretionary expenditure and exacerbating the decline in demand.

Nevertheless the current Board believes that there has been an underinvestment in product development, training and information technology which has left the business vulnerable to any downturn in consumer spending and increased competitive activity. It is now actively involved in driving the new senior executive team to address these issues and to develop strategic plans for the business.

The Board is cognizant of the recent fall in the Company's share price. While the Board believes that some of this recent fall is likely to be attributed to the weaker retail trading conditions the Board also believes that the recent write down of \$5.8 million in aged inventory, and the resultant concerns regarding the Company's internal control systems has been a significant cause of the decline. The Board is actively involved in establishing improved corporate governance and control systems to seek to prevent a repeat of such an occurrence.

RECENT MANAGEMENT CHANGES

In its members statement, Hunter Hall also suggests that Kresta has lost the services of a number of key executives in addition to former managing director Mr Tass Zorbas and former CFO Mr Thye Tan.

The Company confirms that the only key executives who have departed the Company in recent months are Mr Zorbas and Mr Tan.

The improvements in the performance and morale of the management team since Mr Zorbas and Mr Tan departed, has been noticeable and certain senior employees who have been with the Company for many years have now indicated that they believe that a return of Mr Zorbas would not be in the best interests of the Company should Hunter Hall seek to bring him back to manage the Company's operations.

PROPOSED ACQUISITION OF ARLEC

In May 2010, Mr Ian Trahar, tabled a confidential non-binding proposal with the Board in relation to proposing an acquisition by the Company of a private electrical products business in which Mr Trahar has an interest in (Arlec). It is noted that any such transaction would have been a related party transaction under the Corporations Act and the ASX Listing Rules and would have required the approval of the Company's non-interested shareholders. The Company would also have been required to provide shareholders with an independent expert's report to assist them to decide how to vote on any such proposal.

However Mr Trahar subsequently informed the Board that he did not wish to proceed with proposing an acquisition of Arlec and the Board formally resolved in September not to proceed with any further consideration of such a proposal.

Accordingly any suggestion by Hunter Hall that the Company's Board wishes to proceed with the proposed acquisition is not correct.

NOMINATION OF RICK TAYLOR AS A DIRECTOR AT THE 2010 AGM

As shareholders may recall, Mr Rick Taylor was proposed as a potential candidate for election as a director of the Company at the recent AGM.

The Board was unanimous in its view that shareholders should vote against Mr Taylor's election as a director of the Company, particularly on the information available to the Board:

- Mr Taylor's commercial experience beyond a professional advisory capacity appears limited;
- Mr Taylor was a founder and chairman of Fluorotechnics Ltd (ASX:FLS), a company which has been suspended from trading on ASX since September 2010. Prior to its suspension, Fluorotechnics was trading at 3.8c per share having raised money in an initial public offering (float) in October 2008 at \$1.00 per share;
- it was felt that retail or multi-level marketing experience better complemented the skills of the existing Board and Mr Taylor did not provide this.

The resolution to approve Mr Taylor's election as a director was subsequently rejected by the shareholders at that meeting.

The Board is not opposed to appointing to the Board an additional director nominated by Hunter Hall or another major shareholder. However, the Board considers it would be beneficial for the skills and expertise of any such candidate to complement and augment the skills of existing directors.

As explained at the recent AGM, your Board is seeking and will continue to seek suitably qualified and experienced non-executive directors to bolster the diversity of skills at Board level. The skills which the Board is seeking include a strong background in retail businesses. The Board also believes that greater gender balance is required at Board level.

INFORMATION REGARDING CANDIDATES

In addition to the information provided in the Hunter Hall Statement about the Hunter Hall nominees, the following background information was considered by the current board to be relevant to shareholders.

Resolution One

PROFILE

Mr Richard Hazen Taylor

Mr Taylor is the current Chairman of the ASX listed company Fluorotechnics Limited, which is currently suspended from trading following a failure to lodge its Annual Report for the period ended 30 June 2010. Mr Taylor was a founder of Fluorotechnics and has been its Chairman since prior to the company's initial public offering (IPO) in October 2008.

Shares in the Fluorotechnics IPO were offered to the public at \$1.00 each. The last recorded trade in Fluorotechnics, prior to its forced suspension by the ASX, was at \$0.038, a decline of 96% since listing. During Mr Taylor's tenure at Fluorotechnics, the company made five separate forecasts of revenue for the financial year ahead, and failed to meet each of these forecasts. The company has now announced that it is continuing to scale back its operations and selling some or all of its assets. Some of these sales have occurred at a significant loss to the amount paid for the assets.

Hunter Hall is the largest shareholder of Fluorotechnics, with a declared interest in 44.27% of the company. At the time of Fluorotechnics IPO in October 2008, Hunter Hall had an interest in 25.9% of the company, indicating a steady increase in the level of control Hunter Hall had over the company during the time of Mr Taylor's tenure as Chairman.

Mr Taylor's previous public company experience includes acting as a Director of Hunter Hall International Limited from March 2009 to April 2010. No reason was given for his resignation as a Director, a little over a year since being appointed.

From the information available to the Company, Mr Taylor's professional background appears to be limited to taxation matters, with 30 years experience as a chartered accountant and until October 2008 he was a Tax Partner at one of the larger audit firms in Australia.

Resolution 2

PROFILE

Mr John Molloy

Mr Molloy is a former advertising executive, who founded the business Workhouse Advertising. The media buying business of Workhouse was recently sold to a larger media group. Both this larger media group and Workhouse continues to provide media buying and advertising and media buying services to Kresta.

Mr Molloy has no experience acting as a Director of a public company.

Mr Molloy's past experience as a company director includes a position on the board of Odourless Toilet Technologies Pty Ltd from 1996 to 2003. The company has now been deregistered, following the appointment of Administrators in May 2001. From the information available to the Company, this

company was ultimately declared insolvent and eventually paid creditors 21.62 cents for every 100 cents owed. At a meeting of creditors held in May 2001, the administrator noted that he was having substantial difficulties locating the company's assets and requested directors to assist him in that regard. At a creditors meeting held in July 2001, the administrator advised he was meeting with the WA Police Fraud Squad to assist them in their inquiries in respect of the company's missing assets.

The company has written to Mr Molloy asking him to confirm, among other things, that he has no interests in nor will he derive any interest from the ongoing relationship between Kresta, Workhouse, and the large media group that acquired the media buying business of Workhouse.

Mr Molloy has responded by stating that in completing his form consenting to act as a director of the Company (where he stated that he has no material interests that relate to the affairs of the Company) he knew exactly what he was doing and is aware of his responsibilities.

Resolution Three

PROFILE

Mr Ian Norman Trahar B EC, MBA, MAICD.

Mr Trahar has a consumer products and finance background and is a member of the Australian Institute of Company Directors. He has served as a director and Chairman of CO2 Group Limited for the past eight years.

Mr Trahar's private interests include a stake in the electrical products business Arlec, which has built a successful, well-known, reputable brand in the Australian market.

Mr Trahar's previous public company experience includes 11 years as Chairman of Avatar Industries, which was a diversified industrial company engaged in mineral exploration drilling, consumer products distribution and LED packaging prior to shareholders receiving a substantial selective capital return as the business transitioned to a private company.

Resolution Four

PROFILE

Mr Peter Ernest Hatfull ACA, MAICD.

Mr Hatfull is qualified as a Chartered Accountant and has over 30 years experience in a range of senior executive positions with Australian and international companies. He has an extensive skill-set with listed companies in the areas of corporate governance, business optimization, capital raising and company restructuring.

Mr Hatfull is currently a director of mining services company Barmenco Pty Ltd and is a corporate advisor of and director of a range of private companies.

Peter was recently Managing Director of the leading integrated metal recycling and contracting company, CMA Corporation, based in Sydney, where he managed a period of dramatic growth and increase in profitability. Prior to that, he held senior board and management positions in Australia, Africa and the UK.

Director's Statement in accordance with section 203D(5) of the Corporations Act by the non-executive Chairman of Kresta - Mr Ian Trahar

Dear Fellow Shareholders of Kresta Holdings Limited

As a 19.6% shareholder and your Chairman, I seek your support at the shareholders meeting convened by Hunter Hall to be held on Monday, 14 February 2011.

Hunter Hall is seeking to control Kresta by replacing a majority of the Kresta Board, including myself, with its nominees.

Your Board does not support this change.

I urge you to **VOTE AGAINST ALL RESOLUTIONS** at the meeting.

I set out below my comments in relation to the proposal by Hunter Hall and also seek to correct some of the many inaccuracies in the statement issued by Hunter Hall.

Hunter Hall is seeking control and a Board which "does what it is told" by Hunter Hall

Hunter Hall may claim that it is not seeking control – but its actions indicate otherwise.

The appointment of two Hunter Hall selected directors and removal of two existing directors will give it an absolute majority at Board level and enable its representatives to control the direction and activities of Kresta.

- ***Hunter Hall has sought to remove Mr Peter Hatfull.*** Mr Hatfull is an independent director who has served the Company since July 2009. He was originally appointed at the request of Hunter Hall. Hunter Hall has not expressed concerns over Mr Hatfull's performance as a director since his appointment.
- ***Hunter Hall has previously expressed a desire to see me act in accordance with its requirements.*** In an email inadvertently sent to me, an executive director of Hunter Hall, Mr Jack Lowenstein said in an email in relation to Kresta to his co-director, Mr Peter Hall: "Trahar will do what he is told ...". I can assure you that I always have and always will act independently of the directions of Hunter Hall.
- ***Hunter Hall has been considering taking control of the Board of Kresta for some time.*** Emails obtained following Mr Zorbas' retirement show that in early September 2010, Mr Zorbas, the Company's then Managing Director, Hunter Hall and certain other shareholders of Kresta were advancing plans to remove two non-executive directors and replace them with Mr Taylor and Mr Molloy.
- ***While all of this has been progressing, Hunter Hall was increasing its shareholding in Kresta without advising the market*** - as it is required by law to do. Hunter Hall has been the largest buyer of Kresta shares in the last 3 months. After calling the meeting, Hunter Hall lodged a substantial shareholders notice indicating that its holding had increased from 16.7% in early September to over 19%. It was over 2 months late. Hunter Hall, the professional fund manager, says this was inadvertent.

If Hunter Hall wants control of Kresta, it should do so through the appropriate process and make a bid for all of the shares in Kresta it does not own so that all shareholders can benefit from control in the Company passing to Hunter Hall.

The credentials of Hunter Hall's candidates do NOT stack up.

Hunter Hall has asked you to put the control of your company in the hands of persons who have significantly less experience than your existing Board.

As a major shareholder, I am not comfortable with this – you should not be either.

Details of my credentials and those of Mr Hatfull are set out in the attached Explanatory Memorandum.

Set out below is a short comparison of the options available to you:

HUNTER HALL ASKS YOU TO REMOVE:

Mr Ian Trahar – Non-executive director

- ✓ Directorships: Over 20 years of experience as an executive and non-executive director and chairman of listed public companies.

- ✓ Experience: Over 20 years experience in a range of diverse businesses, including over 10 years with consumer product businesses.

Mr Trahar is not an independent director as his company, Avatar Industries Pty Ltd, controls 19.6% of Kresta (based on 144,158,518 shares on issue).

Mr Trahar has no executive role with Kresta.

Mr Peter Hatfull – Non-executive director

- ✓ Directorships: Currently a director of mining services company, Barmenco Pty Ltd and is a corporate advisor of and director of a range of private companies.

- ✓ Experience: Mr Hatfull has been an independent non-executive director of Kresta since July 2009 and Mr Hatfull was recently Managing Director of the leading integrated metal recycling and contracting company, CMA Corporation, based in Sydney, where he managed a period of dramatic growth and increase in profitability. Prior to that, Mr Hatfull held senior board and management positions in Australia, Africa and the UK.

Mr Hatfull was originally appointed at request of Hunter Hall as an independent director and has no previous or current business interests with me or, to my knowledge, any other major shareholder.

HUNTER HALL ASKS YOU TO APPOINT:

Mr Richard Taylor – Hunter Hall candidate

- ✗ Directorships: Chairman and founder of Fluorotechnics Limited (a failed ASX listed company which is 45% owned by Hunter Hall and has been suspended for the last 3 months for failure to lodge accounts within the required time). He is a former director of Hunter Hall International.

- ✗ Experience: Accountant with no apparent direct experience in managing or operating retail businesses.

Mr Taylor is a former director of Hunter Hall who appears to have been nominated to act as a director of Kresta in a prior plan by Hunter Hall and other shareholders to replace the Kresta Board. His nomination as a director was rejected by shareholders at the AGM approximately 6 weeks ago.

Mr John Molloy – Hunter Hall candidate

- ✗ Directorships: No apparent previous listed company directorships, but appears to have been a director of a failed private company, Odourless Toilets Technologies Pty Ltd (in administration), now deregistered, and his former advertising agency, Odourless Toilet Technologies Pty Ltd (in administration) returned less than 25c in the dollar to creditors.

- ✗ Experience: No apparent direct experience in managing or operating retail businesses. He is a past executive of a supplier of advertising and media buying services to Kresta

Mr Molloy appears to have been nominated to act as a director of Kresta in a prior plan by Hunter Hall and other shareholders to replace the Kresta Board.

Hunter Hall makes comments about the past performance of Mr Zorbas, the previous managing director of Kresta. Your Board does not support the return of Mr Zorbas as managing director of Kresta (or any other senior management role).

Are Hunter Hall's actions consistent with its policy of ethical investment and transparency? You be the judge.

Hunter Hall is asking that you support its Board nominees who will control the Board. You should carefully consider if this is appropriate. You should also be aware that many statements in the Hunter Hall Members Statement are wrong or misconstrued.

Hunter Hall's member's statement wrongly suggests that Mr Trahar is an Executive Chairman of Kresta

I sent the email referred to in Hunter Hall's member's statement from an email address for another company for which I am the executive chairman. The reference to the other company's name has been deleted from the copy of the email reproduced in Hunter Hall's member's statement. This omission creates the misleading impression that I was purporting to act as an executive chairman of Kresta – this is not the case. As Hunter Hall is aware, (and as was the case at the AGM), proxy advisers recommend institutional shareholders vote against a director acting as executive chairman.

Hunter Hall has not kept the market informed of its recent share acquisitions on a timely basis. Hunter Hall has recently significantly increased its shareholding in Kresta. This increase was only publicly disclosed some 2 months after the relevant acquisitions occurred, and after announcing that it had requisitioned a meeting of Kresta shareholders to replace certain members of the Board. Hunter Hall claims the failure to disclose the change in its substantial shareholding in Kresta was an "administrative oversight". Hunter Hall is a professional fund manager and is or should be well aware of its obligations in this regard.

Hunter Hall has wrongly implied that a transaction involving Arlec is progressing.

A confidential proposal regarding the acquisition of Arlec by Kresta was put to the Board and due diligence conducted by Kresta. The proposal was formally withdrawn by Avatar many months ago and the Board resolved many months ago not to pursue the opportunity further.

In any event, as Hunter Hall would be aware, if a related party transaction such as the Arlec proposal were to proceed, it requires the support of Kresta shareholders. I could not vote – i.e. the proposal would only have ever progressed if a majority of the non associated voting shareholders supported it.

Contrary to its claims, Hunter Hall has not requested Kresta or me to confirm that this transaction has been removed from the agenda.

Hunter Hall's representative was advised of the change in my voting intentions. I changed my position in relation to the proposed appointment of Mr Taylor as a director at the AGM for good reason. In essence, before the AGM, I was made aware of:

- the resolution by the independent Board members not to support Mr Taylor's appointment (made prior to the AGM);
- Mr Taylor being named in a previously undisclosed plan by Hunter Hall and certain other shareholders to replace two non-executive directors; and
- Mr Taylor's involvement with, and the status of, Fluorotechnics Limited.

Contrary to Hunter Hall's assertions, Mr Taylor, who was Hunter Hall's proxy at the AGM, was advised prior to the commencement of the AGM of the change in my voting intentions and the reasons for my decision to vote against his appointment.

There are also a number of concerns in relation to the selective statements and assertions regarding management and Kresta's performance made in the Hunter Hall member's statement. Given the company update in the General Meeting documents, Shareholders can assess for themselves the validity of Hunter Hall's claims.

Ian Trahar
Non-Executive Director

Director's Statement in accordance with section 203D(5) of the Corporations Act by the non-executive director of Kresta - Mr Peter Hatfull

Dear Shareholders

I do not support the proposal by Hunter Hall through Cogent to change the Kresta Board, including my replacement as a director.

Hunter Hall is seeking the appointment of a majority of the Kresta Board. In my view it is not appropriate for a 20% shareholder to seek to control the Board in this way.

By way of background, I am a Chartered Accountant with over 30 years experience in a range of senior executive positions with Australian and international companies. I have been a non-executive director of Kresta since July 2009, and believe that I have made a significant contribution to the company since that time.

I became a director after being approached by Hunter Hall who requested that the company appoint me as an independent director of Kresta. At no stage since being appointed as a director of Kresta has Hunter Hall raised any concerns with me about my suitability to act or performance as a director of Kresta, nor have they explained the basis for seeking to remove me as a director.

I believe that I am an independent director and have no business or other dealings with any major shareholder of Kresta, including Mr Trahar or Hunter Hall.

I believe that I have the necessary skills to continue to make a valuable contribution to the Board of your company and commend you to VOTE AGAINST ALL RESOLUTIONS proposed by Hunter Hall.

I have read and support the comments made by Mr Trahar in relation the member's statement submitted by Hunter Hall.

Peter Hatfull
Non-Executive Director

STATEMENT UNDER SECTION 249P OF THE CORPORATIONS ACT ("Act")

Cogent Nominees Pty Ltd ("**the Member**") holds shares in Kresta Holdings Ltd ("**Kresta**") for BNP Paribas Fund Services Australasia Pty Ltd acting as custodian for Hunter Hall Investment Management Limited ("**Hunter Hall**").¹

Set out below is the statement under the Act relating to the proposed important changes to the Board of Directors ("**Board**") of Kresta.

Resolutions are proposed by the Member for a General Meeting to make the following changes to the Board:

Appoint	Remove
<i>John Molloy</i>	<i>Ian Trahar</i>
<i>Rick Taylor</i>	<i>Peter Hatfull</i>

- **John Molloy** – is a successful former advertising executive and entrepreneur who for many years worked on the Kresta account and played a key role in the establishment of the Kresta brands as synonyms for quality in the Australian window furnishing market. He has a personal interest in 1.5 million shares in Kresta.
- **Rick Taylor** – was a partner of Deloitte Touche Tohmatsu until 2008 and is a former Director of Hunter Hall International Ltd. Mr Taylor has over 30 years experience in accounting, tax and mergers and acquisitions roles in Australia and internationally.

Funds managed by Hunter Hall were first invested in Kresta in 1996 and at the date of this statement represent 19.7% of Kresta. Hunter Hall is a passive investor and has no interest in controlling Kresta or its Board.

Hunter Hall after due consideration is of the opinion that a changed Board will have the appropriate expertise to run a specialist retailer and manufacturer of the size, scope, and complexity of Kresta for the reasons set out below.

Hunter Hall is of the opinion that Kresta will best achieve its potential if the following outcomes are rectified:

1. Disappointing Profitability and sharp decline in share price

On 25 November 2010 Kresta announced it was experiencing a sharp drop in its sales and profitability and was unlikely to match its profits for the year to June 2010 in the current year.

¹ The information provided is as an opinion only and does not constitute financial advice. It has been prepared for the purposes of a statement under section 249P of the Act and therefore without taking into account the investment objectives, financial situation or particular needs of individual investors. The information provided above is the opinion of Hunter Hall and is stated for Hunter Hall by the Member under the Act.

Kresta indicated that its depressed performance was influenced by adverse foreign exchange movements. Nonetheless, the extent of the difference between the actual 2010 performance and the results expected for the current year is matter of grave management concern to Hunter Hall.

Since Mr Trahar's appointment as Chairman on 23 June 2010 the share price has fallen to 25 cents as at the date of this statement, a fall of 37.8%. In the same period the Australian All Ordinaries Index has risen from 4509 to 4791, an increase of 6.8%.

2. Management changes

Kresta has recently lost the services of key executives including managing director Mr Tass Zorbas and CFO Mr Thye Tan. Mr Zorbas was the founder of some constituent businesses of Kresta and was involved with the company for over 30 years. These senior executives exited the business despite their successful stewardship of the company over many years and achievement of record sales in the 2010 financial year.

3. Better management required than the results under the Trahar leadership

Hunter Hall previously supported Mr Trahar's quest for a Kresta board seat because of his substantial personal ownership interest in Kresta, and its belief that where large shareholders can contribute to the affairs of a company they should be represented on boards.

Unfortunately Hunter Hall no longer supports Mr Trahar being a member of the Board for the following reasons:

Proposed Arlec Transaction

In communications with several shareholders Mr Trahar has argued forcefully for the merger of a private business in which he has an interest, Arlec, with Kresta. Arlec is an importer and distributor of electrical goods. Hunter Hall has informed Mr Trahar that it can see no logic for such a combination and would prefer that Kresta not engage in a related party transaction. We have sought, and not received, confirmation from Mr Trahar and Mr Hatfull that this transaction has now been removed from the Board's agendas.

Hunter Hall is opposed to this transaction and is of the opinion it is not in the best interests of Kresta.

Nomination of Rick Taylor as Director at 2010 AGM

Earlier this year, Hunter Hall proposed that Rick Taylor be appointed to the Board. Notwithstanding differences on the Arlec matter, Mr Trahar indicated that he would support the election of Mr Taylor and wrote to Peter Hall (Hunter Hall's Chief Investment Officer) as follows:

From: Ian Trahar [mailto:Ian.Trahar@co2australia.com.au]
Sent: 10 November 2010 15:00
To: Peter Hall
Subject: KRS AGM

Hi Peter

Just confirming that you will be supporting all resolutions at the agm as will I, Rick T is coming over for the meeting and to meet up with the other directors and senior management, we are also organizing a stores visit.

Rgds

Ian

Ian Trahar
Executive Chairman

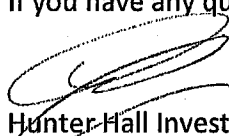
Despite the clear indication that he would support the election of Mr Taylor ("Rick T"), just 15 days later at the AGM, Mr Trahar voted his own shares, and those of various undirected proxies, in successful opposition to his election. At no point has any explanation been given for this change of position.

Kresta shareholders can do better

Hunter Hall believes the proposed changes will improve the skill, experience and quality of the Board. Mr Taylor and Mr Molloy are independent of the current Board and Hunter Hall believes they would better represent all shareholders.

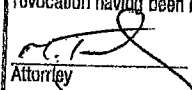
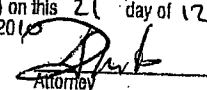
Hunter Hall encourages you to vote in favour of the resolutions at the upcoming General Meeting. Hunter Hall believes it is crucial that shareholders grasp this opportunity for change.

If you have any questions please contact Peter Hall: **+612 8224 0300**


Hunter Hall Investment Management Limited
Ouafaa Karim
Company Secretary

Cogent Nominees Pty Ltd
ACN 005 284 300

Executed for and on behalf of Cogent Nominees Pty Limited
ABN 54 084 150 023 as nominee for, BNP Paribas Fund
Services Australasia Pty Ltd, acting as custodian and agent for
various custody clients, under power of attorney (no notice of the
revocation having been received) on this 21 day of 12
2010

 Attorney	 Attorney
Mark Teeling Name (print)	DAVID HARRIS Name (print)

Kresta Holdings Limited

ABN 26 008 675 803

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 KRS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 11.00am (WST) Saturday 12 February 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☒ Review your securityholding
- ☒ Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kresta Holdings Limited hereby appoint

☐

the Chairman
of the meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Kresta Holdings Limited to be held at 380 Victoria Road, Malaga, Perth, WA 6945 on Monday, 14 February 2011 at 11.00am (WST) and at any adjournment of that meeting.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Election of Director - Mr Richard Hazen Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Director - Mr John Molloy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Removal of Director - Mr Ian Norman Trahar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Removal of Director - Mr Peter Ernest Hatfull	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies against each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date ____/____/____

KRS

999999A

Computershare +