



Dividend Investment Plan & Share Investment Plan

Hills Industries Limited
ABN 35 007 573 417

Updated June 2001



HILLS INDUSTRIES LIMITED
A.B.N. 35 007 573 417

DIVIDEND INVESTMENT PLAN & SHARE INVESTMENT PLAN

UPDATED JUNE 2001

Outline of the Plans

The Dividend Investment Plan ("DIP") and the Share Investment Plan ("SIP") provide shareholders with a number of options in respect of dividends declared:

Shareholders may elect to:

1. Receive dividends in cash;
2. Invest dividends in Hills Industries Limited shares at a discount by participating in the Dividend Investment Plan;
3. Forgo a dividend and substitute bonus shares, also at a discount, by participating in the Share Investment Plan; or
4. Any combination of the above.

All shareholders are eligible to participate in the Plans subject to:

- (a) at least 100 shares participating in the Plans.
- (b) laws in the country of residence of the shareholder which may prohibit participation.

The Notice of Election Form included with this booklet should be completed and returned as soon as possible for participation in the plans. A Notice of Election Form must be received no later than the Record Date for participation in the next dividend. The nominated participation will apply to all subsequent dividends until altered by you.

Shares issued under the plans will, from the day of their issue, rank equally with all other fully paid shares.

Following is a more detailed explanation of the terms and conditions of the DIP and the SIP.

Although this booklet outlines the main features of the plans, it is not intended to provide financial or taxation advice. As shareholders have differing financial needs and taxation situations, they should choose their form of participation with care.

If you are not sure which dividend option is best, you should consult your own financial, taxation or legal advisers. If you have any questions regarding the plans please contact Computershare Investor Services Pty. Ltd.

Dividend Investment Plan

Under the Dividend Investment Plan ("DIP") cash dividends are automatically used to pay for additional fully paid ordinary shares in the Company. You may nominate all or part of your shareholding for participation in the DIP.

Shares are issued under the DIP at a discount of 5% or such amount as determined by the Board from time to time, to the market price of Hills Industries Limited shares. The market price for shares is the weighted average market price of Hills Industries Limited shares sold on the Australian Stock Exchange Limited ("ASX") during the five trading days up to and including the Record Date for the relevant dividend.

Your net entitlement to shares under the DIP is calculated, in respect of the shares you have nominated for participation in the DIP, by multiplying the cash dividend (in cents per share) payable on each share by the number of shares participating in the DIP, less tax if applicable, divided by the market price of the shares less the discount determined by the Board.

If the application of this formula does not produce a whole number of shares to be issued, the result will be rounded up to the nearest whole number.

Following each dividend to which the DIP is declared by the Directors to apply, a statement will be issued to you detailing:

- (a) number of shares participating in the plan;
- (b) the dividend entitlement on such shares;
- (c) the amount reinvested;
- (d) the number and price of shares issued under the plan; and

(e) the total number of shares participating in the plan after the DIP issue.

Shareholders will receive statements in accordance with the SCH Business Rules.

Note:

- (i) If all of your shares participate in the DIP, all shares subsequently issued to you or purchased by you are successively added to those participating in the DIP.
- (ii) If you nominate partial participation in the DIP, shares issued under the DIP are not automatically included in the DIP, nor are other shares purchased by you.

You pay no brokerage, commission or stamp duty on shares issued under the DIP.

All shares issued to you under the plan rank equally with all other shares and may be sold at any time.

Under current law dividends used to buy shares under the DIP form part of your Australian taxable income and are subject to the Australian capital gains tax provisions when sold. This tax liability exists regardless of when the shares giving rise to the dividend were acquired. For Australian capital gains tax purposes the cost of the shares (which is subject to consumer price indexing) issued under the DIP is the issue price as advised by Hills Industries Limited.

A Notice of Election Form will apply to the specified dividend if it is completed and returned to Hills Industries Limited share registrar no later than the Record Date for that Dividend.

Share Investment Plan

Under the Share Investment Plan ("SIP") you elect to receive fully paid bonus shares instead of cash dividends. You may nominate some or all of your shareholding for participation in the SIP.

Shares are issued under the SIP at a discount, as determined by the Board from time to time, to the market price of Hills Industries Limited shares. The market price for shares is the weighted average market price of Hills Industries Limited shares sold on the Australian Stock Exchange Limited during the five trading days up to and including the Record Date for the relevant dividend.

Your entitlement to shares under the SIP is calculated, in respect of the shares you have nominated for participation in the SIP, by multiplying the cash dividend (in cents per share) payable on each share by the number of share participating in the SIP, divided by the market price of the shares less a discount of 5% or such other amount as determined by the Board. If the application of this formula does not produce a whole number of bonus shares to be issued, the result will be rounded up to the nearest whole number.

Following each dividend to which the SIP is declared by the Directors to apply, a statement will be issued to you detailing:

- (a) number of shares participating in the plan;
- (b) the dividend entitlement on such shares;
- (c) the number and price of shares issued under the plan; and
- (d) the total number of shares participating in the plan after the SIP issue.

Shareholders will receive a statement in accordance with the SCH Business Rules.

Note:

- (i) If all your shares participate in the SIP, all shares subsequently issued to you or purchased by you are successively added to those participating in the SIP.
- (ii) If you nominate partial participation in the SIP, shares issued under the SIP are not automatically included in the SIP, nor are other shares purchased by you.

You pay no brokerage, commission or stamp duty on shares issued under the SIP.

Bonus shares are issued under the SIP at the same time as dividends are paid, ranking equally in all respect with existing issued shares, and may be sold at any time.

Under current law shares issued as bonus shares are not normally treated as dividends for tax purposes. If your entitlement to bonus shares under the SIP arises from shares acquired, or deemed to have been acquired, prior to 20th September 1985, the bonus shares issued, generally, will not be a taxable capital gain in Australia when sold. However, if your entitlement to bonus shares under the SIP arises from existing shares acquired, or deemed to have been acquired, after 19th September 1985, the bonus shares issued are subject to Australian capital gains tax when sold. In this case, the cost base for determining the taxable capital gain is calculated by apportioning the cost of the original shares over both the original and bonus shares.

A Notice of Election Form will apply to the specified dividend if it is completed and returned to Hills Industries Limited share registrar no later than the Record Date for that Dividend.

Rules of the Dividend Investment Plan

1. The Dividend Investment Plan (“the DIP”)

- 1.1. The Directors have been authorised pursuant to Clause 28.11 of the Constitution of the Company, to implement the Dividend Investment Plan (“the DIP”).

2. Interpretation

- 2.1. When used herein, unless the context indicates a contrary intention:-

“the Company” and “Hills Industries” means Hills Industries Limited;

“DIP” means the Dividend Investment Plan constituted hereby and incorporating these rules and established pursuant to Clause 28.11 of the Company’s Constitution.

“the Directors” means the Directors as defined in and acting in accordance with the Company’s Constitution;

“Dividend Shares” means Shares (including Participating Shares) upon which a dividend is payable;

“Election” means an application by a Shareholder, or a person entitled to be registered as a Shareholder, to become a Participant;

“Non-Participating Shares” means the Shares that are not participating Shares;

“Notice of Election” means a written application to participate in the DIP signed by a Shareholder (or each Shareholder in the case of joint holdings) and in a form prescribed or approved by the Company from time to time which form may be combined with or form part of any other form or notice;

“Participant” means the Shareholder participating in the DIP.

“Participating Shares” means Shares participating in the DIP.

“Record Date” means the date of closing the Company’s share register for determination of entitlements to dividends on Shares to which any proposed allotment pursuant to this Plan at any particular time relates as notified by the Company to the Australian Stock Exchange Limited (“ASX”) or any other competent person.

“Rules” means the terms, provisions and conditions of the DIP contained herein as may be amended from time to time pursuant to clause 14 hereof.

“Shares” means fully paid ordinary Shares in the capital of the Company;

“Shareholder” means a person (including a corporation) holding Shares; and

“SIP” means the Share Investment Plan established pursuant to Clause 28.10 of the Company’s Constitution.

- 2.2. Words importing the masculine gender include the feminine and neuter gender.

- 2.3. Where the Shareholder has, in respect of distinct numbers of Shares, separate shareholder numbers then, for the purpose of these rules, they shall be deemed to be a separate and distinct Shareholder in relation to each such shareholder number and the Shares from time to time allocated to that shareholder number.

- 2.4. The DIP shall be governed by the laws of the State of South Australia.

3. Participation in the DIP

- 3.1. Participation in the DIP shall be subject to the Rules.

- 3.2. Participation in the DIP is optional.

- 3.3. All Shareholders are eligible to participate in the DIP subject, however, to:

- (a) any law applicable in the country of residence of those Shareholders whose residence is outside Australia or whose address, according to the Company’s share register, is outside Australia which may, in the opinion of the Directors, make participation of the Shareholders unlawful or impractical, the Directors may, at their discretion, refuse to permit the Shareholders to participate in the DIP.
- (b) the Directors will refuse to permit any Shareholder to participate in the DIP where the Shareholder elects to participate in respect of a number of Shares which is less than 100.
- (c) The Directors are entitled (but not obliged) to refuse a Shareholders participation in the DIP there the Shareholder has, in the opinion of the Directors, split a shareholding or acquired Shares as part of such split, in order to increase the number of DIP Shares that may be allotted to that Shareholder or another person.

- 3.4. Participation may, subject to the rules, be varied or terminated by a Participant at any time.

4. Election to Participate

Election to Participate in the DIP shall be made on a Notice of Election.

5. Degree of Participation

- 5.1. A Shareholder may participate in the DIP in respect of all the Shares registered in their name, which herein after may be described as "full" participation, or in respect of some of the Shares registered in their name, which here in after may be described as a "partial" participation.
- 5.2. A Shareholder, eligible to participate in the DIP shall specify on the Notice of Election the degree to which they wish to participate in the DIP by:
 - (a) indicating full participation; or
 - (b) indicating how many Shares they wish to have participate in the DIP for partial participation.
- 5.3. Under full participation all Shares registered in the Participant's name at the time of commencement of the full participation (including any Shares participating at that time in any SIP) and all Shares subsequently registered in the Participant's name (including Shares issued pursuant to the DIP) will be subject to the DIP. Where all or any Shares registered in the Participant's name at the time of commencement of the full participation are participating in any SIP (other participation) such other participation shall cease immediately upon commencement of the full participation.
- 5.4. Under partial participation, only that number of Shares indicated by the Participant for participation in the DIP will be subject to the DIP.
- 5.5. Where all the Shares are registered in the Participant's name at the time of commencement of a partial participation are participating in any SIP (other participation) such other participation shall cease immediately upon commencement of partial participation but only in respect of that number of Shares which is the number of Shares indicated by the Participant for participation in the DIP. In the absence of any indication by the Participant as to which Shares are to be subject to the partial participation the Shares to be so subject shall be determined by the Directors in their absolute discretion.
- 5.6. Where only some of the Shares registered in the Participant's name at the time of commencement of a partial participation are participating in any SIP (other participation) and the number of Shares indicated by the Participant for participation in the DIP exceeds the number of Shares registered in the name of the Participant at the time of commencement of the partial participation which are not subject to such other participation (available Shares), the other participation shall cease immediately upon commencement of the partial participation but only in respect of that number of Shares by which the number of Shares indicated by the Participant for participation in the DIP exceeds the number of 910 available Shares. In the absence of any indication by the Participant as to which Shares (other than available Shares) are to be subject to the partial participation the Shares to be so subject shall be determined by the Directors.
- 5.7. Where a Shareholder participates in the DIP on a partial basis, no acquisitions other than bonus issues and Shares issued under the DIP will participate in the same plan as the shares in respect of which they are issued.
- 5.8. In the case of partial participation in the plan cash dividends will be paid in respect of all other acquisitions. A new Notice of Election must be filled out before those acquisitions can participate in the DIP.
- 5.9. Notice of Election forms received by the Company which do not indicate the degree of participation may, without notice to the Shareholder and at the discretion of the Directors be rejected or may be deemed by the Directors to be an Election for full participation. The Directors shall not be liable to the Shareholder for any loss, damage or claim in respect of either the Shareholders participation or non-participation as the case may be pursuant to the exercise by the Directors of their discretion.
- 5.10. Notice of Election forms received by the Company which indicate a number of participating Shares in excess of the number of Shares held by the Shareholder making the Election shall be deemed to be an election for full participation.
- 5.11. Where the Company received a Notice of Election from a Shareholder to participate in any SIP and at the same time receives a Notice of Election from the same Shareholder to participate in the DIP and by reason of the number of Shares indicated for participation in the SIP and for participation in the DIP, or for any other reason, there is a conflict between the two forms, the Directors may, without notice to the Shareholder and at the discretion of the Directors, reject the same or may resolve the conflict in such way as the Directors, in their discretion, deem fit. Directors shall not be liable to the Shareholder for any loss, damage or claim in respect of either the Shareholders participation or nonparticipation, as the case may be, in the DIP or the SIP by reason of the exercise by the Directors of any such discretion.

6. Operation of DIP

- 6.1. Each dividend which is payable to a Participant in respect of Shares subject to the DIP and which is available for payment to the Participant, will, upon payment be applied by the Company on the participant's behalf in subscribing for that number of Shares, that is the number calculated in accordance with the following formula and rounded up to the next whole number of Shares:

$$S = \frac{N \times D}{P}$$

where:

“S” is the number of Shares to be allotted to the Participant;

“N” is the number of Participating Shares registered in the name of the Participant to which the allotment relates;

“D” is the amount of the dividend per Share declared by the Directors on dividend Shares;

and

“P” is the weighted average market price per Share of all Shares sold on the Australian Stock Exchange Limited (“ASX”) during the five trading days being the Record Date and the four days immediately preceding the Record Date as notified to the Company by the ASX or other competent person (provided always that in the event that no Shares are sold on the ASX during such five trading days, the price per Share equal to the simple average of the last sale price of the Shares quoted on the ASX for each of the ten trading days immediately prior to the commencement of such five trading days), less a discount of 5 per centum or such other percentage as determined 11 by the Directors adjusted in such manner as the Directors consider appropriate to preserve equity between Participants and nonparticipants; and

- 6.2. The subscription price of each Share allotted pursuant to these rules and paid by the Participant shall be the amount calculated in accordance with the following formula:-

$$P = \frac{N \times D}{S}$$

where:

“P” is the subscription price per Share allotted to the Participant; “S” is the number of Shares to be allotted pursuant to Clause 6.1; and “N” and “D” have the meanings attributed to each of them respectively in Clause 6.1.

7. Shares Allotted under the DIP

- 7.1. Shares allotted under the DIP will be allotted in accordance with the Listing Rules of the ASX.
- 7.2. Shares allotted under the DIP will rank equally in all respects with existing participating Shares.
- 7.3. Shares allotted under the DIP will be registered on a register selected by the Company being a register on which the Participant already holds Shares.
- 7.4. Shareholders will receive statements in accordance with the SCH Business Rules.

8. Costs to Participants

Unless otherwise required by law, no brokerage, commission, stamp duty, or other transaction costs will be payable by participants in respect of any allotment of Shares under the DIP.

9. Statements to Participants

After each allotment made pursuant to Clause 6.1 hereof, the Company will forward to each Participant a statement detailing, as at the relevant allotment date:-

- (a) the number of the Participant's Participating Shares subject to the DIP as at the close of the Hills Industries 1213 Share Register for determination of entitlements to payment of Dividends on Dividend Shares;
- (b) the amount of Dividend payable on all the Participant's Participating Shares;
- (c) the amount of dividend re-invested,
- (d) the number and price of Shares allotted under the DIP on the allotment to which the statement relates; and
- (e) the Participant's total holding of Participating Shares after such allotment.
- (f) such other information as the Directors may determine.

10. Variation to or Termination of Participation

10.1. Subject to Clause 12 hereof, a Participant may at any time, give notice to the Company's Share Registrar to:-

- (a) increase or decrease the number of Participating Shares; or
- (b) terminate participation in the DIP. To be effective, such variation or termination must be received by the Company prior to the Record Date in order to take effect for that dividend.

10.2. If a Participant dies, participation by that Participant and any other participants with whom the deceased was a joint participant will be terminated, subject to Clause 12, upon receipt by the Company of notice of the death of the Participant.

11. Transfer Reduction or Termination where no Notice is Given

11.1. Where a Participant transfers a part of their holding of Shares and does not give notice otherwise, on each occasion the parcel of Shares so transferred shall be taken for the purpose of the DIP to comprise;

- (a) first, Non-Participating Shares which are not participating in any SIP and (to the extent that such Shares are insufficient to make up the full parcel of Shares transferred);
- (b) secondly, the Participating Shares and (to the extent that such Shares when added to the Shares referred to in Clause 11.1(a) are insufficient to make up the full parcel of Shares transferred);
- (c) thirdly, Shares subject to any SIP and the participation of the Participant shall be altered accordingly. 11.2. Where a Participant transfers all of their holding of Shares without giving notice of termination of participation in the DIP, the Participant will be deemed to have given notice to terminate participation in the DIP on the last date when the Company registered a transfer or instrument of disposal of the Participant's Shares.

11.3. When a Participant transfers Participating Shares, those Participating Shares shall upon registration of such transfer cease to be Participating Shares.

11.4 The accidental omission to give notice of variation, suspension or termination to any Participant or the non receipt of any notice by any Participant will not invalidate the variation, suspension or termination of the DIP.

12. Elections and Notices

12.1. Notices shall be in writing and in such form as the Directors may from time to time require.

12.2. Elections must be made and notices must be given by the Participant separately in respect of each holding of Shares identified by a separate holder number in the registers of the Company.

12.3. Elections and Notices will be effective on receipt by the Company subject to:

- (a) these rules;
- (b) in the case of Elections acceptance by the Directors;15
- (c) subject to sub-clause
- (d) hereof, being received by the Company before the time for determination of entitlement to payment of the dividend;
- (e) such other restrictions as to the period of notice required as the Directors may from time to time impose.

13. Stock Exchange Listing

The Company will apply promptly for the Shares allotted under the DIP to be listed for quotation on the official lists of the ASX.

14. Application, Suspension, Variation or Termination of the DIP.

14.1.

- (a) The DIP will operate only in respect of those dividends specified by the Directors in their absolute discretion from time to time during the operation of the DIP.
- (b) The DIP may be suspended by the Directors at any time, at the Directors absolute discretion, including, but with out limiting the generality of the foregoing, at any time when the Directors consider that the continued operation of the DIP may be prejudicial to the Company, or inequitable between Shareholders (whether in relation to the payment of dividends or otherwise) or might otherwise be impractical.

14.2.

- (a) The DIP shall only take effect on such dates as the Directors may in their absolute discretion determine.
- (b) A suspension of the DIP shall take effect from such date as the Directors may determine and shall continue until such time as the Directors resolve either to recommence or to terminate the DIP. If, the DIP is recommenced then elections as to participation in respect of the previously suspended DIP shall be valid and have full force and effect in accordance with these terms for the purpose 16 of the recommenced DIP.

14.3. These rules may be varied by resolution of the Directors at any time at the Directors' discretion.

14.4. The Directors may settle in such manner as they think expedient any difficulties, anomalies or disputes which may arise in connection with or by reason of, the operation of the DIP, whether generally or in relation to any Participant or any Shares and the determination of the Directors shall be conclusive and binding on all Participants and other persons to whom the determination relates.

15. Administration

15.1. The DIP will be administered by the Directors who have the power to:

- (a) determine appropriate procedures for administration and implementation of the DIP consistent with the terms and conditions of the DIP and to settle any difficulty which may arise generally or in a particular case in regard to the DIP as the Directors think expedient and their determination will bind all Shareholders and other persons to whom the determination relates;
- (b) resolve conclusively all questions of fact or interpretation in connection with the DIP; and
- (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of their powers or discretions arising under the DIP but not including any powers under clause 14 relating to application, suspension, variation or termination of the Plan;

15.2. The Company and its officers and employees shall not be held responsible or liable for any error or omission which occurs in the administration of the DIP.17

16. Taxation

The Company:

- (a) does not assume liability for any taxes or other imposts assessed against or imposed upon a Shareholder;
- (b) does not represent or warrant that a shareholder will gain any taxation advantage or will not incur a taxation liability or be disadvantaged by participation in the DIP. The Company takes no responsibility for the taxation liabilities of Shareholders and as individual circumstances may vary considerably Shareholders should seek their own specific taxation advice.

RULES OF THE SHARE INVESTMENT PLAN

1. The Share Investment Plan ("the SIP")

1.1. The Directors have been authorised, pursuant to Clause 28.10 of the Constitution of the Company, to implement the Share Investment Plan ("the SIP").

2. Interpretation

2.1. When used herein, unless the context indicates a contrary intention:- "**the Company**" and "**Hills Industries**" means Hills Industries Limited;

"**DIP**" means the Dividend Investment Plan established pursuant to Clause 28.11 of the Company's Constitution "**the Directors**" means the Directors as defined in and acting in accordance with the Company's Constitution;

"**Dividend Shares**" means Shares (including Participating Shares) upon which a Dividend is payable;

"**Election**" means an application by a Shareholder, or a person entitled to be registered as a Shareholder, to become a Participant;

"**Non-Participating Shares**" means the Shares that are not participating Shares;

"**Notice of Election**" means a written application to participate in the SIP signed by a Shareholder (or each Shareholder in the case of joint holdings) and in a form prescribed or approved by the Company from time to time which form may be combined with or form part of any other form or notice;

"**Participant**" means the Shareholder participating in the SIP.

“Record Date” means the date of closing the Company’s share register for determination of entitlements to dividends on shares to which 18 19 any proposed allotment pursuant to this Plan at any particular time relates as notified by the Company to the Australian Stock Exchange Limited (“ASX”) or any other competent person.

“Rules” means the terms, provisions and conditions of the SIP contained herein as may be amended from time to time pursuant to Clause 14 hereof.

“SIP” means the Share Investment Plan constituted hereby and incorporating these rules and established pursuant to Clause 28.10 of the Company’s Constitution.

“Shares” means fully paid ordinary Shares in the capital of the Company;

“Shareholder” means a person (including a corporation) holding Shares.

- 2.2. Words importing the masculine gender include the feminine and neuter gender.
- 2.3. Where the Shareholder has, in respect of distinct numbers of Shares, separate shareholder numbers, then, for the purpose of these rules, they shall be deemed to be a separate and distinct Shareholder in relation to each such shareholder number and the Shares from time to time allocated to that shareholder number.
- 2.4. The SIP shall be governed by the laws of the State of South Australia.

3. Participation in the SIP

- 3.1. Participation in the SIP shall be subject to the Rules.
- 3.2. Participation in the SIP is optional.
- 3.3. All Shareholders are eligible to participate in the SIP subject, however, to:
 - (a) any law applicable in the country of residence of those Shareholders whose residence is outside Australia or whose address, according to the Company’s share register, is outside Australia which may, in the opinion of the Directors, make participation of the Shareholders unlawful or impractical, the Directors may, at their discretion, refuse to permit the Shareholders to participate in the SIP.
 - (b) the Directors will refuse to permit any Shareholder to participate in the SIP where the Shareholder elects to participate in respect of a number of Shares which is less than 100.
 - (c) The Directors are entitled (but not obliged) to refuse a Shareholder’s Participation in the SIP where the Shareholder has, in the opinion of the Director’s, split a Shareholding or acquired Shares as part of such split, in order to increase the number of SIP shares that may be allotted to that Shareholder or another person.
- 3.4. Participation may, subject to the rules be varied or terminated by a Participant at anytime.

4. Election to Participate

Election to Participate in the SIP shall be made on a Notice of Election.

5. Degree of Participation

- 5.1. A Shareholder may participate in the SIP in respect of all the Shares registered in their name, which herein after may be described as “full” participation, or in respect of some of the Shares registered in their name, which herein after may be described as “partial” participation.
- 5.2. A Shareholder, eligible to participate in the SIP shall specify on the Notice of Election the degree to which they wish to participate in the SIP by;
 - (a) indicating full participation; or
 - (b) indicating how many Shares they wish to have participate in the SIP for partial participation
- 5.3. Under full participation all Shares registered in the Participant’s name at the time of commencement of the full participation(including any Shares participating at the time in any DIP) and all Shares subsequently registered in the Participant’s name (including Shares issued pursuant to the SIP) will be subject to the SIP. Where all or any Shares registered in the Participant’s name at the time of commencement of the full participation are participating in any DIP (other participation) such other participation shall cease immediately upon commencement of the full participation.
- 5.4. Under partial participation, only the number of Shares indicated by the Participant for participation in the SIP will be subject to the SIP.
- 5.5. Where all the Shares are registered in the Participant’s name at the time of commencement of a partial participation are participating in any DIP (other participation) such other participation shall cease immediately upon commencement of partial participation but only in respect of the number of Shares which is the number of Shares indicated by the Participant as to which Shares are to be subject to the partial participation the Shares to be so subject shall be determined by the Directors in their absolute discretion.

- 5.6. Where only some of the Shares registered in the Participant's name at the time of commencement of a partial participation are participating in any DIP (other participation) and the number of Shares indicated by the Participant for participation in the SIP exceeds the number of Shares registered in the name of the Participant at the time of commencement of the partial participation which are not subject to such other participation (available Shares), the other participation shall cease immediately upon commencement of the partial participation but only in respect of that number of Shares by which the number of Shares indicated by the Participant for participation in the SIP exceeds the number of available Shares. In the absence of any indication by the Participant as to which Shares (other than available Shares) are to be subject to the partial participation to the Shares to be so subject shall be determined by the Directors.
- 5.7. Where a shareholder participates in the SIP on a partial basis, no acquisitions other than bonus issues and Shares issued under the SIP will participate in the same plan as the shares in respect of which they are issued.
- 5.8. In the case of partial participation in the plan cash dividends will be paid in respect of all other acquisitions. A new Notice of Election must be filled out before those acquisitions can participate in the SIP.
- 5.9. Notice of Election forms received by the Company which do not indicate the degree of participation may, without notice to the Shareholder and at the discretion of the Directors, be rejected or may be deemed by the Directors to be an Election for full participation. The Directors shall not be liable to the Shareholder for any loss, damage or claim in respect of either the shareholders participation or non-participation as the case may be pursuant to the exercise by the Directors of their discretion.
- 5.10. Notice of Election forms received by the Company which indicate a number of participating Shares in excess of the number of Shares held by the Shareholder making the election shall be deemed to be an election for full participation.
- 5.11. Where the Company receives a Notice of Election from a Shareholder to participate in any DIP and at the same time receives a Notice of Election from the same Shareholder to participate in the SIP and by reason of the number of Shares indicated by full participation in the DIP and for participation in the SIP, or for any other reason, there is a conflict between the two forms, the Directors may, without notice to the Shareholder and at the discretion of the Directors, reject the same or may resolve the conflict in such way as the Directors in their discretion, deem fit. Directors shall not be liable to the Shareholder for any loss, damage or claim in respect of either the Shareholders participation or nonparticipation, as the case may be, in the SIP or the DIP by reason of the exercise by the Directors of any such discretion.

6. Operation of SIP

- 6.1. A Shareholder who applies to participate in the SIP shall by making such application be deemed to have elected pursuant to Clause of the Company's Constitution that the Dividend shall not be declared or paid in respect of that Shareholder's Participating Shares.
- 6.2. Dividends shall not be declared or paid in respect of a Shareholder's participating Shares but:-
 - (a) the Shareholder shall be deemed for all other purposes of the Company's Constitution to have those entitlements in relation to the profits of the Company which he would have had if those Shares were not Participating Shares; and
 - (b) the Shareholder shall in respect of those Participating Shares be entitled to the benefits provided in these Rules.
- 6.3. For so long as there shall exist any participating Shares, on each occasion that the Company pays a Dividend on Dividend Shares, the Directors shall allot to each Participant that number of Shares that is the number calculated in accordance with the following formula and rounded up to the next whole number of Shares:

$$S = N \times DP$$

where: "S" is the number of Shares to be allotted to the Participant;

"N" is the number of Participating Shares registered in the name of the Participant to which the allotment relates;

"D" is the amount of the Dividend per Share declared by the Directors on Dividend Shares; and

"P" is the weighted average market price per Share of all Shares sold on the Australian Stock Exchange Limited ("ASX") during the five trading days being the Record Date and the four days immediately preceding the Record Date as notified to the Company by the ASX or other competent person (provided always that in the event that no Shares are sold on the ASX during such five trading days, the price per Share equal to the simple average of the last sale price of the Shares quoted on the ASX for each of the ten trading days immediately prior to the commencement of such five trading days), less a discount of 5 per centum or such other percentage as determined by the Directors adjusted in such manner as the Directors consider appropriate to preserve equity between participants and non-participants.

7. Shares Allotted under the SIP

- 7.1. Shares allotted under the SIP will be allotted in accordance with the Listing Rules of the ASX.
- 7.2. Shares allotted under the SIP will rank equally in all respect with existing participating Shares.
- 7.3. Shares allotted under the SIP will be registered on a register selected by the Company being a register on which the Participant already holds Shares.
- 7.4. Shareholders will receive statements in accordance with the SCH Business Rules.

8. Cost to Participants

Unless otherwise required by law, no brokerage, commission, stamp duty, or other transaction costs will be payable by Participants in respect of any allotment of Shares under the SIP.

9. Statements to Participants

After each allotment made pursuant to Clause 6.3 hereof, the Company will forward to each Participant a statement detailing, as at the relevant allotment date:-

- (a) the number of the Participant's Participating Shares at the close of the Hills Industries Limited Share Register for determination of entitlements to payment of Dividends on Dividend Shares;
- (b) the amount of Dividend that would have been payable on all the Participant's Participating Shares had they been Dividend Shares;
- (c) the number and price of Shares allotted under the SIP on the allotment to which the statement relates; and
- (d) the Participant's total holding of Participating Shares after such allotment.
- (e) such other information as the Directors may determine.

10. Variation to or Termination of Participation

10.1. Subject to Clause 12 hereof, a Participant may at any time give notice to the Company's Share Registrar to:-

- (a) increase or decrease the number of Participating Shares; or
- (b) terminate participation in the SIP. To be effective, such variation or termination must be received by the Company prior to the

Record Date in order to take effect for that dividend.

10.2. If a Participant dies, participation by that Participant and any other Participants with whom the deceased was a joint participant will be terminated, subject to Clause 12, upon receipt by the Company of notice of the death of the Participant.

11. Transfer Reduction or Termination where no Notice is Given

11.1. Where a Participant transfers a part of his holding of Shares and does not give notice otherwise, on each occasion the parcel of Shares so transferred shall be taken for the purpose of the SIP to comprise;

- (a) first, Non-Participating Shares which are not participating in any DIP; and (to the extent that such Shares are insufficient to make up the full parcel of Shares transferred);
- (b) secondly, Shares participating in any DIP; and (to the extent that such Shares when added to the Shares referred to in Clause 11.1 (a) are insufficient to make up the full parcel of Shares transferred);
- (c) thirdly, Participating Shares; and the participation of the Participant shall be altered accordingly.

11.2. Where a Participant transfers all of their holding of Shares without giving notice of termination of participation in the SIP, the Participant will be deemed to have given notice to terminate participation in the SIP on the last date when the Company registered a transfer or instrument of disposal of the Participant's Shares.

11.3. When a Participant transfers Participating Shares, those Participating Shares shall upon registration of such transfer, cease to be Participating Shares.

11.4. The accidental omission to give notice of variation, suspension or termination to any Participant or non-receipt of any notice by any Participant will not invalidate the variation, suspension or termination of the SIP.

12. Elections and Notices

12.1. Notices shall be in writing and in such form as the Directors may from time to time require.

12.2. Elections must be made and notices must be given by the Participant separately in respect of each holding of Shares identified by a separate holder number in the registers of the Company.

12.3. Elections and Notices will be effective on receipt by the Company subject to:

- (a) these rules;
- (b) in the case of Elections acceptance by the Directors;
- (c) subject to sub-clause (d) hereof, being received by the Company before the time for determination of entitlement to payment of the Dividend;
- (d) such other restrictions as to the period of notice required as the Directors may from time to time impose.

13. Stock Exchange Listing

The Company will apply promptly for the Shares allotted under the SIP to be listed for quotation on the official lists of the ASX.

14. Application, Suspension, Variation or Termination of the SIP

14.1.

- (a) The SIP will operate only in respect of those dividends specified by the Directors in their absolute discretion from time to time during the operation of the SIP.
- (b) The SIP may be suspended by the Directors at any time, at the Directors' absolute discretion, including, but without limiting the generality of the foregoing, at any time when the Directors consider that the continued operation of the SIP may be prejudicial to the Company, or inequitable between Shareholders (whether in relation to the payment of dividends or otherwise) or might otherwise be impractical.

14.2.

- (a) The SIP shall only take effect on such dates as the Directors may, in their absolute discretion, determine.
- (b) A suspension of the SIP shall take effect from such date as the Directors may determine and shall continue until such time as the Directors resolve either to recommence or to terminate the SIP. If, the SIP is recommenced then elections as to participation in respect of the suspended SIP shall be valid and have full force and effect in accordance with these terms for the purpose of the recommenced SIP.

14.3. These rules may be varied by resolution of the Directors at any time at the Directors' discretion.

14.4. The Directors may settle in such manner as they think expedient any difficulties, anomalies or disputes which may arise in connection with or by reason of, the operation of the SIP, whether generally or in relation to any Participant or any Shares and the determination of the Directors shall be conclusive and binding on all Participants and other persons to whom the determination relates.

15. Administration

15.1. The SIP will be administered by the Directors who have the power to:

- (a) determine appropriate procedures for administration and implementation of the SIP consistent with the terms and conditions of the SIP and to settle any difficulty which may arise generally or in a particular case in regard to the SIP as the Directors think expedient and their determination will bind all Shareholders and other persons to whom the determination relates;
- (b) resolve conclusively all questions of fact or interpretation in connection with the SIP; and
- (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of their powers or discretions arising under the SIP but not including any powers under clause 14 relating to the application suspension, variation or termination of the Plan.

15.2. The Company and its officers and employees shall not be held responsible or liable for any error or omission which occurs in the administration of the SIP.

16. Taxation

The Company

- (a) does not assume liability for any taxes or other imposts assessed against or imposed upon a Shareholder;
- (b) does not represent or warrant that a Shareholder will gain any taxation advantage or will not incur a taxation liability or be disadvantaged by participation in the SIP. The Company takes no responsibility for the taxation liabilities of Shareholders and as individual circumstances may vary considerably Shareholders should seek their own specific taxation advice.