



**Hills Holdings Limited**  
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21 November 2011

Dear Shareholder

### **Hills Holdings Limited – General Meeting**

On behalf of the directors of Hills Holdings Limited (**Hills**), I would like to advise you of a General Meeting of Shareholders to be held at the Star Room, Adelaide Entertainment Centre, 98 Port Road Hindmarsh, SA 5007 on 22 December 2011 at 2.00pm to consider matters relating to the Constitution of the Company.

#### ***Hills' Recent Annual General Meeting***

At the recent Annual General Meeting of the Company held on 4 November 2011, your Board sought shareholder approval to adopt a new Constitution in place of the Company's existing Constitution which was last amended at the 1999 Annual General Meeting. A single resolution was proposed which sought the approval of a new Constitution which contained, amongst other changes, proportional takeover provisions. The resolution narrowly fell short of the required majority of 75%, with 73.5% of total votes cast being in favour of the resolution.

#### ***Adoption of New Constitution***

Your Board considers that the existing Constitution should be brought up to date with current provisions of the Corporations Act, the ASX Listing Rules and current market practices for ASX listed companies, irrespective of whether or not proportional takeover provisions are included in the new Constitution. For this reason, separate shareholder approval is being sought at this General Meeting to adopt a new Constitution which does not contain proportional takeover provisions. If the resolution to approve the adoption of the new Constitution is passed, the new Constitution will be effective from the close of the meeting.

#### ***Proportional Takeover Provisions***

In addition, a separate shareholder approval is sought to insert into the new Constitution similar proportional takeover provisions to those set out in the Company's existing Constitution, which prohibit the registration of shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by shareholders of the company. Under the Corporations Act, a company may only include such provisions in its constitution with the approval of shareholders. The approval for the provisions in the Company's existing Constitution has lapsed in accordance with the Corporations Act, and the Board is therefore seeking a fresh approval for inserting these new provisions into the new Constitution.

The Board considers that the insertion of the proportional takeover provisions will benefit all Shareholders. In particular, the provisions may help Hills shareholders to avoid being locked in as a minority shareholder, or having less opportunity in the future to sell their shares in the Company at a price that is considered attractive to the shareholder, because of the presence of a majority shareholder. They may also assist in ensuring that any proportional takeover bid is adequately priced, that is preventing a bidder being able to acquire control of the Company without payment of an adequate premium for all of their shares.

If the resolution to approve the insertion of the proportional takeover provisions is passed, the provisions will be inserted into the new Constitution with effect from the close of the meeting.

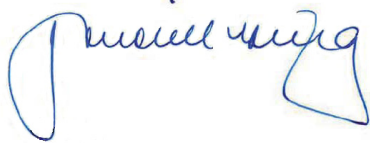
***Notice of Meeting***

Enclosed is a Notice of Meeting providing further details on each of the proposed resolutions. I urge you to read the Notice of Meeting carefully.

**These are important resolutions affecting every shareholder. Your Directors unanimously recommend that shareholders vote in favour of each of the resolutions.**

I do encourage you to participate by voting on these important resolutions. If you are unable to attend, you can vote by completing a proxy form. This can be done online at [www.investorvote.com.au](http://www.investorvote.com.au) or alternatively you can complete and return the proxy form enclosed.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jennifer Hill-Ling', written in a cursive style.

**Jennifer Hill-Ling**  
**Chairman**