HiTech Group Australia Limited
ABN 41 062 067 878

EXPLANATORY MEMORANDUM TO NOTICE OF ANNUAL GENERAL MEETING

This Explanatory Memorandum has been prepared for the information of shareholders of HiTech Group Australia Limited (the Company) in connection with the Annual General Meeting of Shareholders to be held on Friday,26 October 2007 at 4 pm. This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

FINANCIAL STATEMENTS AND REPORTS

The Corporations Act 2001 requires the financial report (which includes the financial statements and directors' declaration), the director's report and the auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act 2001 or in the constitution of the Company for shareholders to approve the financial report, the director's report or the auditor's report. Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of the Company.

Resolution 1 Re-election of a Director

Under Rules 75.1(b) and 76.1 of the constitution of the Company, one-third of the directors (not including the managing director) consisting of those who have been longest in office since their last election, must retire. Sam Hazouri is required to retire as a director at the end of the 2007 Annual General Meeting but, being eligible, offers himself for re-election under Rule 77.2.

Resolution 2 Remuneration Report

The company's 2007 Annual Report contains a Remuneration Report (as part of the Directors' Report) which sets out the remuneration policy of the Company and reports the remuneration arrangements in place for the directors and other specified persons involved in the management of the Company.

The Corporations Act 2001 now requires the Notice of Meeting for the Annual General Meeting to include a resolution for adoption of the Remuneration Report. The vote on the resolution is advisory only and is not binding on the directors of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions about the Remuneration Report at the Annual General Meeting.

Resolution 3 Issue Of Share Options to A Non-Executive Director
In accordance with ASX LR 10.11 shareholder approval is required for the issue of share options to a Non-Executive Director

Details of this proposed issue of share options is as follows:-
Name of person to whom options are to be issued - Mr G Shad, Non-Executive Director
No of securities to be issued -500,000
Date by which the entity will issue the options - 25 November 2007
Exercise price of the options - 5 cents
Expiry date - 25 November 2012

Resolution 3 Issue Of Share Options Under Employee Share Option Plan

The Employee share option plan is a key element of remuneration policy in motivating and rewarding staff for their efforts in growing the company.

It is therefore desirable that the board who is responsible for remuneration policy and as part of this policy allocating share options to staff ,have the power to issue sufficient options to achieve this end.

Clause 3 of the HiTech Employee Option Plan is as follows:-

Number of Options to be Issued

3.1 HiTech shall not offer or issue Options to any Eligible Person in accordance with the Plan if the total number of Shares the subject of Options, when aggregates with:

(a) the number of Shares which would be issued were each outstanding offer or invitation or option to acquire unissued Shares, being an offer or invitation made pursuant to the Plan or an offer or invitation made or option granted pursuant to any other employee or executive share plan, to be accepted or exercised (as the case may be)

(disregarding any offer or invitation made, or option granted or Share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or by way of excluded offer or invitation within the meaning of the Corporations Law), **would exceed 30% of the total number of shares quoted on the ASX at the time of the offer or issue.**

Proposed change

It is proposed to increase the limit on the number of options which can be issued to 50% of the number of shares quoted on the ASX at the time of the offer or issue

Clause 3 will then read:-

3. Number of Options to be Issued

3.1 HiTech shall not offer or issue Options to any Eligible Person in accordance with the Plan if the total number of Shares the subject of Options, when aggregates with:

(a) the number of Shares which would be issued were each outstanding offer or invitation or option to acquire unissued Shares, being an offer or invitation made pursuant to the Plan or an offer or invitation made or option granted pursuant to any other employee or executive share plan, to be accepted or exercised (as the case may be); and

(disregarding any offer or invitation made, or option granted or Share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or by way of excluded offer or invitation within the meaning of the Corporations Law), **would exceed 50% of the total number of shares quoted on the ASX at the time of the offer or issue.**