

HiTech GROUP AUSTRALIA LIMITED

CORPORATE GOVERNANCE STATEMENT

HiTech is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations". Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

1. Lay solid foundations for management and oversight

1.1 Respective roles and responsibilities of the board and management

- (a) The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The role of the board is to approve the strategic direction of the Group, guide and monitor the management of HiTech in achieving its strategic plans, and oversee good governance practice.

The managing director and Chief Executive Officer (CEO), Mr. R Hazouri, is a member of the board, and is also the chairman. The CEO has responsibility for the day-to-day operations of the Company and is supported in these functions by senior management. The board maintains ultimate responsibility for strategy and control of the Company.

- (b) The express responsibilities of the board include:

- establishing, monitoring and reviewing corporate strategies and performance objectives;
- appointing and when necessary replacing the CEO, Company Secretary and senior management;
- reviewing the performance and composition of the board and approving board, CEO and executive succession planning and remuneration frameworks;
- approving and monitoring financial reporting and Company performance, including the external audit and ensuring continuous material disclosure;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place and effective; and
- monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy.

The board has delegated day-to-day responsibility for the management of the Company to the CEO/Chairman, including:

- implementing corporate strategies and making recommendations to the board on significant corporate strategic initiatives;

- implementing and maintaining appropriate risk management and compliance frameworks; and
- keeping the board updated on the performance of the Company, including financial reporting and continuous disclosure information.

1.2 Appointment of directors

- (a) The board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the required skills. The appropriate skill mix, education, experience, personal qualities, and diversity are factors taken into account in each case, and the appropriate checks are made into the candidate's background. If these criteria are met and the board appoints the candidate as a director, that director must have their appointment approved by shareholders at the next annual general meeting.
- (b) The board aims through the notices of meeting for annual general meetings to provide shareholders with all material information known to the board relevant to a decision on whether or not to elect or re-elect a director, as well as a statement as to whether the board supports the election or re-election of the director.

1.3 Terms of appointment of directors

Senior executives, including the CEO and the Company Secretaries, have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities. The appointment letter is consistent with the ASX Recommendations.

1.4 Company Secretary

The Company Secretaries have responsibility for the company secretarial duties, including coordination of all Board business, including agendas, Board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings, and are accountable directly to the board, through the Chairman. The decision to appoint or remove company secretaries are made by the board.

1.5 Diversity Policy

- (a) The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater diversity not only in gender but also in matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity within director and senior executive positions as they become vacant and appropriately skilled candidates are available.
- (c)(1) Details of female representation in the company are set out in the Annual Report. Senior executive positions include senior managers, executive Directors and Company Secretaries.
- (2) The Company is not a "relevant employer" under the Workplace Gender Equality Act.

1.6 Board Performance Evaluation

- (a) There is no formal process for periodic evaluation of the performance of the board, its committees and individual directors; however the chairman monitors performance on an ongoing basis and discusses performance individually with directors on a periodic basis.
- (b) Performance evaluation is continually monitored by the chairman and the board. The chairman also speaks to each director individually regarding their role as a director.

1.7 Senior Executive Performance Evaluation

- (a) There is no formal process for periodic evaluation of the performance of senior executives, however the chairman monitors performance on an ongoing basis and discusses performance individually on a periodic basis.
- (b) Performance evaluation of senior executive management is carried out for each financial year. This is continually monitored by the chairman and the board.

2. Structure the board to add value

2.1 Nomination Committee

The company does not have a nomination committee as the size of the company and the board does not warrant such a committee. All board nomination matters are considered by the whole board, including board succession, continuing development of board members and performance evaluation.

2.2 Board Skills Matrix

The skills, experience and expertise relevant to the position of each director who was in office at the date of the most relevant Annual Report (and are still in office) and their term of office are detailed in the Director's Report.

2.3 Director Independence

- (a) Of the three directors, Mr. G. Shad is a non-executive and an independent director.
- (b) When determining whether a non-executive director is independent, the following factors relevant to assessing the independence of a director include whether the director:
 - is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
 - is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities;
 - is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
 - is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity;
 - has a material contractual relationship with the entity or its child entities other than as a director;

- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Based on these factors, no independent director of the Company has any interest, position, association or relationship that may compromise the independence of the director.

(c) The length of service of each director is set out in the Annual Report.

2.4 Board Independence

While a majority of the board members are not independent directors, the board believes that the people on the board can and do make independent judgements in the best interests of the company at all times.

2.5 Chairman of the board

The chairman is an executive director. The board believes that the chairperson is able to make quality and independent judgement on all relevant issues falling within the scope of the role of a chairman.

The roles of CEO and chairman are exercised by the same individual. The board believes that the CEO/chairman is able to objectively separate the two roles when making decisions. The CEO/Chairman must consult the board on all matters that are sensitive, extraordinary or of a strategic nature.

2.6 Director Induction

A new director will receive a letter of appointment which sets out the Company's expectations of the role, their duties, the terms and conditions of their appointment and their remuneration consistent with the ASX Recommendations. As part of the induction program, a new director will meet with the Chairman, board members and senior executives to gain an insight into the values and culture of the Company.

On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect the business or operations and are encouraged to undertake continuing education and training relevant to the discharge of their obligations.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense.

3. Promote ethical and responsible decision-making

3.1 Code of conduct

The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are expected to act in accordance with the law and with the highest standard of propriety.

A code of conduct has been developed and approved by the board a copy of which can be found on the HiTech website (<https://www.hitechaust.com>). This code provides guidance to directors and management on practices necessary to maintain confidence in the integrity of the Company.

4. Safeguard integrity in financial reporting

4.1 Audit and risk management committee

(a) The board has established an Audit and Risk Management Committee which provides assistance to the board in fulfilling the corporate governance and oversight responsibilities of the board to verify and safeguard the integrity of the financial reporting of the Company. The audit and risk committee:

- reviews the financial reporting process of the Company and reports on their findings to the board;
- discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risks
- reviews with the external auditor any audit problems and the Company's critical policies and practices;
- reviews and assesses the independence of the external auditor.

(1) Due to the numbers of HiTech directors it is not possible for HiTech to have a committee of three people and for a majority of the members of the committee to be independent directors. The audit and risk management committee consists of two members.

(2) The audit and risk management committee is chaired by George Shad, non-executive director. The other member is an executive director. The Directors' Report details members of the committee and meetings held during the financial year.

(3) The board has confirmed the role and responsibilities of the audit and risk management committee in a written charter which may be viewed on the company's web site (<https://www.hitechaut.com>).

(4) All qualifications of members are in the Annual Report.

(5) During the financial year, the audit and risk committee met 2 times.

4.2 Statement to the board by the managing director and chief financial officer

The board requires the managing director and the chief financial officer (CFO) to state in writing to the board that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 AGM attendance of external auditor

The company complies with Section 249K of the Corporations Act 2001 in providing the auditor with notices of general meetings and related communications that a member of the company is entitled to receive.

As required by Section 250T of the Corporations Act 2001 the company's auditor attends annual general meetings of the company and the chairperson of those meetings allows a reasonable opportunity for members to ask questions of the auditor concerning the conduct of the audit and the preparation and content of the auditor's report. The auditor when

attending general meetings is entitled to be heard on any business item that concerns him / her in his / her capacity as auditor.

5. Make timely and balanced disclosure

5.1 Establish written policies and procedures

- (a) HiTech has established procedures designed to ensure compliance with the ASX Listing Rules so that company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

- (b) The Company's policy on stakeholder communications and continuous disclosure can be viewed on the company's website (<http://www.hitechaust.com>).

6. Respect the right of shareholders

6.1 Information distribution

Investors are able to access information about the company and its governance via the company's website (<http://www.hitechaust.com>) in the Investor Relations section. Investor relations representatives of HiTech are available to meet with shareholders from time to time, and respond to queries addressed to our investor relations email address (info@hitechaust.com).

6.2 Investor relations

HiTech has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

HiTech's policy on communication with shareholders is set out in the company's 'Policy on stakeholder communication and continuous disclosure' which can be viewed on the HiTech website.

6.4 Security Holder Participation

HiTech aims to actively engage with shareholders and other stakeholders at the Annual General Meeting. At each AGM, discussion is encouraged regarding the performance of the company, prospects, management and the board, and any other area of interest or concern.

Security holders who are unable to attend the AGM are able to ask questions and make comments ahead of the meeting, for response both individually and as a discussion item at the AGM.

6.5 Electronic Communications

Security holders are able to send and receive communications electronically to the Company and our share registry via our share registry, Computershare.

7. Recognise and manage risk

7.1 Risk Committee

The board has established policies on risk oversight and management which may be viewed on the Company website (<https://www.hitechaustr.com>). The audit and risk committee oversees both the audit and risk management of the company. Details of the composition, independence and membership of the committee can be found under the section 4.1 of this document, as related to the audit function of the committee, and the committee charter may be found on the HiTech website.

The board continually monitors areas of significant business risk with input from the audit and risk committee. Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- crisis management policies are in effect.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the board or audit and risk committee.

7.2 Reviewing the risk management framework

- (a) The board continually monitors the Company's risk management framework, and reviews the audit and risk committee charter and policy on risk oversight and management annually to ensure that the framework is robust. To carry out this function the Board:
- oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
 - reviews the financial reporting process of the Company;
 - discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
 - reviews with the external auditor any audit problems and the Company's critical policies and practices; and
 - reviews and assesses the independence of the external auditor.
- (b) The Company's risk management framework has been continuously monitored throughout the financial year, and revisions have been made as necessary on an ongoing basis.

7.3 Internal audit

The risk management and internal control processes of the Company are evaluated and monitored for effectiveness by the audit and risk committee in conjunction with the board on an ongoing basis.

7.4 Economic, environmental and social sustainability risks

HiTech recognises the importance of ensuring the economic, environmental and social sustainability of the Company. The board monitors sustainability issues and works closely with management to establish best practices around environmental efficiency and waste, workplace health and safety, corporate conduct, stakeholder engagement and governance.

8. Remunerate fairly and responsibly

8.1 HiTech remuneration policies

- (a) Due to the size of the board, HiTech has not established a remuneration committee instead, the functions of the remuneration committee being assumed by the whole board.
- (b) The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executive has been approved by the board. All executives receive a base salary, superannuation and performance incentives. The board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies. Executives are entitled to participate in the employees share option arrangements. The criteria used in determining the issue of options to management include achievement of revenue and profit targets, new business generated, loyalty and years of service plus other criteria.

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

8.3 Equity based remuneration

The shareholders at the 2007 annual general meeting approved a limit on the total number of options which can issued at 50% of the company's issued share capital. This is the basis upon which equity based incentives are offered and is subject to change at the discretion of the board.

If a participant in an equity based remuneration scheme established by the Company enters into any transactions (whether through the use of derivatives or otherwise) which is designed to limit the economic risk of participating in the equity based remuneration scheme:

- (a) the participant must disclose details of the transaction to the Company Secretary;
- (b) the Company Secretary will disclose to the Board all details of any such economic risk management transactions.