BYTE POWER
Group Limited
ABN 80 009 268 571

STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE

30 October 2009

2009 Annual General Meeting

Byte Power Group Ltd wishes to advise that the Company's Annual General Meeting will be held on Monday, 30 November 2009 at 11 am (Brisbane time).

The 2009 Annual Report is available by visiting the Company's website at www.bytepowergroup.com .

Ethel Lau
Company Secretary

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LISTED ON ASX

Byte Power Group Limited ABN 80 009 268 571

Notice of Annual General Meeting and Explanatory Memorandum

Date of Meeting:	Monday 30 November 2009
Time of Meeting:	11 am (Brisbane Time)
Place of Meeting:	Hopgood Ganim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane

BYTE POWER
Group Limited

Notice of Annual General Meeting

Notice is given that an Annual General Meeting of shareholders of Byte Power Group Limited ABN 80 009 268 571 (**Company**) will be held at the offices of Hopgood Ganim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, on Monday 30 November 2009 at 11 am (Brisbane time).

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflow and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2009.

1. Re-election of Raphael Tham as a director

To consider and, if thought fit, pass the following resolution, as an ordinary resolution of the Company:

"That Raphael Tham, who retires by rotation in accordance with Rule 38.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

2. Re-election of Alvin Phua as a director

To consider and, if thought fit, pass the following resolution, as an ordinary resolution of the Company:

"That Alvin Phua, who retires by rotation in accordance with Rule 38.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Remuneration report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2009 (as set out in the Directors Report) is adopted."

- The vote on this Resolution 3 is advisory only and does not bind the Directors of the Company.

4. Issue of Shares to Tan Ming Da and Tan Hua Hoon

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 43,200,000 fully paid ordinary shares (**Da and Hoon Shares**) at an issue price of AUD$0.005 each to Tan Ming Da (**Da**) and Tan Hua Hoon (**Hoon**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

> **Voting exclusion statement**
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> The Company will disregard any votes cast on this Resolution by:
>
> - any of Da or Hoon; and
> - any associate of Da or Hoon
>
> However, the Company need not disregard a vote if:
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> - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Issue of shares to Boon Kheng Ong

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 30,000,000 fully paid ordinary shares (**Ong Shares**) at an issue price of AUD$0.005 each to Boon Kheng Ong (**Ong**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

> **Voting exclusion statement**
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> The Company will disregard any votes cast on this Resolution by:
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> - Ong; and
> - any associate of Ong.
>
> However, the Company need not disregard a vote if:
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> - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Issue of shares to Liao Jing

To consider and, if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 141,503,600 fully paid ordinary shares (**Jing Shares**) at an issue price of AUD$0.005 each to Liao Jing (**Jing**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Jing; and
- any associate of Jing.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

7. Issue of shares to Manna Investment Pte Ltd

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

“That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 2,040,000 fully paid ordinary shares (**Manna Shares**) at an issue price of AUD$0.005 each to Manna Investments Pte Ltd (**Manna**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Manna (or their nominee); and
- any associate of Manna.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

8. Variation of Convertible Note Terms and issue of shares to Lau Superannuation Fund

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

"That in accordance with the provisions of Item 7 of Section 611 and Part 2E of the Corporations Act and Listing Rule 10.11 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the Company be authorised to issue up to 470,673,827 fully paid ordinary shares in the capital of the Company (**Conversion Shares**) to the Lau Superannuation Fund (**LSF**) pursuant to the terms of a deed of variation between LSF and the Company dated 15 October 2009 (**Convertible Note Variation**) which varies a convertible note issued (**Convertible Note**) issued to Hawkswood Investment Pty Ltd ACN 098 040 638 (Receivers and Managers appointed) (in liquidation) pursuant to a convertible note deed dated 27 December 2006 (**Convertible Note Deed**) which was subsequently purchased by LSF pursuant to a convertible note sale agreement dated 24 December 2008 (**Sale Agreement**) upon the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

- For the purpose of Section 611 of the Corporations Act, an independent experts report prepared by PKF Corporate Advisory Accountants (in relation to the proposed variation of the Convertible Note and the issue of the Conversion Shares) is **enclosed** with this Notice of Meeting.
- A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the *Corporations Act*; and
- The Conversion Shares will be issued to LSF upon conversion of the Convertible Note, but any event no later than one (1) month after the date of the Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- LSF, Ethel Lau and William Cheng and Alvin Phua; and
- any associate of LSF, Ethel Lau or William Cheng or Alvin Phua.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

9. Appointment of Auditor

To consider and, if thought fit, pass the following resolution, as any ordinary resolution, with or without amendment:

"That, subject to the consent of the Australian Securities & Investments Commission to the current auditor resigning, to appoint Hacketts DFK having been duly nominated in accordance with Section 328B(1) of the *Corporations Act 2001* (Cwth), as Auditor of the Company."

[Note: In accordance with section 328B(3) of the Corporations Act a copy of the nomination of Auditor accompanies this Notice of Meeting].

10. Authorise issue of placement shares

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX, and for all other purposes, the Company and the Directors of the Company are authorised to issue up to 200,000,000 fully paid ordinary shares (**Placement Shares**) at an issue price per Placement Share of not less than 80% of the weighted average trading price of the Company's shares calculated over the last five (5) days on which sales in the securities of the Company were recorded before the day on which the share placement is made, to various sophisticated or professional investors (**Investors**) that fall within one or more of the classes of exemptions specified in section 708 of the Corporation Act on the terms and conditions as contained in this Notice of Meeting and attached Explanatory Memorandum".

Notes:

- The Placement Shares will be issued to sophisticated or professional investors who fall within one or more of the classes of exemptions specified in section 708 of the Corporation Act;
- The Company intends to issue the Placement Shares as soon as practicable after the Meeting and in any event no later than three (3) months from the date of the Meeting;
- The rights attaching to the Placement Shares are identical in all respects to the existing ordinary shares on issue in the Company;
- The funds raised by the issue will be used by the Company to provide working capital to the Company; and
- The Placement Shares will not be issued to any related party of the Company (within the meaning of the ASX Listing Rules).

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- any associate of such a person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

11. Ratification of the issue of shares to Placees

To consider and, if thought fit, pass the following resolution, as an ordinary resolution with or without amendment:

"That, in accordance with the provisions of Listing Rule 7.4 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the shareholders ratify the previous placement of 21,000,000 fully paid ordinary shares in the Company (**Previous Placement Shares**) to investors who fall within one or more of the exemptions under section 708 of the *Corporations Act* (Cwth) (**Placees**) at an issue price of AUD$0.005 per on the terms and conditions as contained in this Notice of Meeting and attached Explanatory Memorandum."

- The Previous Placement Shares were issued to the Placees as followed:

Name of Placee	Total no. of Shares issued
Ms See Ee Choo	10,000,000
Mr Zheng Kang Wen, Mervyn	10,000,000
Kris Kowalski (Kowalski Super Fund)	1,000,000

- The Previous Placement Shares were issued to investors who fall within one or more of the classes of exemptions specified in section 708 of the Corporation Act
- The rights attaching to the Previous Placement Shares are identical in all respects to the existing ordinary shares on issue in the Company;
- The funds raised by the issue will be used by the Company to provide working capital to the Company; and
- The Previous Placement Shares were not be issued to any related party of the Company (within the meaning of the ASX Listing Rules).

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Any Placee; and
- any associate of a Placee.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

12. Ratification of the issue of shares to Bambrick Media Pty Ltd ACN 112 089 102

To consider and, if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with the provisions of Listing Rule 7.4 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the shareholders ratify the previous issue of 1,184,000 fully paid ordinary shares in the Company at an issue price of $0.005 per share to Bambrick Media Pty Ltd ACN 112 089 102 (**Bambrick**) (**Bambrick Shares**) on the terms and conditions as set out in this Notice of Meeting and Explanatory Memorandum."

- The Bambrick Shares were issued under the small scale offering exemption specified in section 708(I) of the Corporation Act;
- The Company issued the Bambrick Shares on 15 October 2009
- The rights attaching to the Bambrick Shares are identical in all respects to the existing ordinary shares on issue in the Company;
- The Bambrick Shares were issued for a deemed issue price of $0.005 per share and issued in satisfaction of the Company's obligation to pay Bambrick Media Pty Ltd for the creation and establishment of the Company's website and accordingly no funds raised were raised on the issue of the Bambrick Shares; and
- The Bambrick Shares were not be issued to any related party of the Company (within the meaning of the ASX Listing Rules).

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Bambrick Media Pty Ltd or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- any associate of Bambrick Media Pty Ltd.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

13. Issue of shares to Raphael Tham

To consider and if thought fit pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with Part 2E of the *Corporations Act 2001 (Cwlth)* Listing Rule 10.11 of the Official Listing Rules of the ASX Limited, and for all other purposes, the Company be authorised to issue up to 12,479,844 fully paid ordinary shares in the capital of the Company to Raphael Tham (**Tham Shares**)."

- A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the *Corporations Act*.
- The Tham Shares will be issued to Raphael Tham no later than one (1) month after the date of the Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Raphael Tham; and
- any associate of Raphael Tham.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

14. Issue of shares to Glenn Ferguson

To consider, and if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with Part 2E of the *Corporations Act 2001 (Cwlth)* and Listing Rule 10.11 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the Company be authorised to issue up to 11,449,148 fully paid ordinary shares in the capital of the Company to Glenn Ferguson (**Ferguson Shares**) ".

- A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the *Corporations Act*.
- The Ferguson Shares will be issued to Glenn Ferguson no later than one (1) month after the date of the Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Glenn Ferguson; and
- any associate of Glenn Ferguson.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

15. Issue of shares to Michael Walsh

To consider, and if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with Part 2E of the *Corporations Act 2001 (Cwlth)* and Listing Rule 10.11 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the Company be authorised to issue up to 8,750,122 fully paid ordinary shares in the capital of the Company to Michael Walsh (**Walsh Shares**)."

- A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the *Corporations Act*.
- The Walsh Shares will be issued to Michael Walsh no later than one (1) month after the date of the Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Michael Walsh; and
- any associate of Michael Walsh.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

16. Issue of shares to Alvin Phua

To consider, and if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with Part 2E of the Corporations Act 2001 (Cwlth) and Listing Rule 10.11 of the Official Listing Rules of the ASX Limited (**ASX**), and for all other purposes, the Company be authorised to issue up to 8,750,122 fully paid ordinary shares in the capital of the Company to Alvin Phua (**Phua Shares**) ".

- A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the *Corporations Act*.
- The Phua Shares will be issued to Alvin Phua no later than one (1) month after the date of the Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Alvin Phua; and
- any associate of Alvin Phua.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

17. Issue of shares to Asia Pacific Links (BVI) Pty Ltd ACN 136 722 908

To consider and, if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 1,500,000 fully paid ordinary shares (**Pacific Shares**) at an issue price of AUD$0.005 each to Asia Pacific Links (BVI) Pty Ltd ACN 136 722 908 (**Pacific**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

> **Voting exclusion statement**
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> The Company will disregard any votes cast on this Resolution by:
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> - Pacific (or their nominee); and
> - any associate of Pacific (or their nominee).
>
> However, the Company need not disregard a vote if:
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> - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

18. Issue of shares to Niche Realty Pty Ltd ACN 055 382 940

To consider and, if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 3,000,000 fully paid ordinary shares (**Niche Shares**) at an issue price of AUD$0.005 each to Niche Realty Pty Ltd ACN 055 382 940 (**Niche**) (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

> **Voting exclusion statement**
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> The Company will disregard any votes cast on this Resolution by:
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> - Niche (or their nominees); and
> - any associate of Niche (or their nominees).
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> However, the Company need not disregard a vote if:
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> - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

19. Issue of shares to Kiree Limited

To consider and, if thought fit, pass the following resolution, as an ordinary resolution, with or without amendment:

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited (**ASX**) (**ASX Listing Rules**) and for all other purposes, the Company be authorised to issue 1,000,000 fully paid ordinary shares (**Kiree Shares**) at an issue price of AUD$0.005 each to **Kiree Limited** (**Kiree)** (or their nominees) on the terms and conditions as contained in this notice of meeting and attached Explanatory Memorandum."

> **Voting exclusion statement**
>
> The Company will disregard any votes cast on this Resolution by:
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> - Kiree (or their nominees); and
> - any associate of Kiree (or their nominees).
>
> However, the Company need not disregard a vote if:
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> - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board

Ethel Lau
Company Secretary
27 October 2009

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Byte Power Group Limited** ABN 80 009 268 571 (**Company**) to explain the resolutions to be put to Shareholders at the Extraordinary General Meeting to be held at HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, on Monday 30 November 2009 at 9 am (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 5.

The Notice of Meeting sets out the details of nineteen (19) separate resolutions to be put to Shareholders comprising the following:

2. Consider the company's annual report

The Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflow and notes to and forming part of the accounts for the Company for the financial year ended 30 June 2009 were despatched to Shareholders and released to the ASX Limited on 31 October 2009. The Company's Annual Report is placed before the Shareholders for discussion. No voting is required for this item.

3. Resolution 1 - Re-election of Raphael Tham as a director

Raphael Tham retires in accordance with Clause 38 of the Company's Constitution and, being eligible, offers himself for re-election as a Non-Executive Director.

Mr Tham was appointed on 7 June 2004.

Raphael is a Singaporean who has strong technology industry credentials and is an experienced business strategist. He has held senior positions and advisor with a number of companies in Asia. His skills and experience include starting new businesses, overseas expansion and mergers and acquisitions.

The Directors (with Mr Tham abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. Resolution 2 - Re-election of Alvin Phua as a director

Alvin Phua retires in accordance with Clause 38 of the Company's Constitution and, being eligible, offers himself for re-election as a Non-Executive Director.

Mr Phua was appointed on 4 December 2002.

Alvin is a Singaporean-born Australian with key business and government relationships throughout Australia and around the Asian region and has a proven track record of success in the IT&T sector through his building of the Byte Power business since 1989.

The Directors (with Mr Phua abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 3 - Remuneration report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors of the Company.

6. Resolution 4 - Issue of shares to Tan Ming Da and Tan Hua Hoon

6.1 Introduction

On 17 April 2009 the Company entered into a converting loan agreement with Tan Ming Da (**Da**) and Tan Hua Hoon (**Hoon**) (**Da and Hoon Agreement**). Under the Da and Hoon Agreement, the Company was provided with a loan in the amount of AUD$216,000 (**Da and Hoon Loan Amount**).

The Da and Hoon Loan Amount was provided to the Company on 23 April 2009 (**Da and Hoon Settlement Date**). Under the terms and conditions of the Da and Hoon Agreement the Company is entitled to repay the Loan Amount either by:

(a) the issue of Shares which are equivalent in value to the Loan Amount and have an issue price of AUD$0.005 per Share, subject to Shareholder approval; or

(b) by bank cheque to Da and Hoon for the Loan Amount.

Da and Hoon as the lender has the option to have the Loan Amount repaid through the issue of Shares and now seeks Shareholder approval for the issue of Shares under the Da and Hoon Agreement.

6.2 Resolution 4

Resolution 4 seeks Shareholder approval to issue 43,200,000 Shares to Da and Hoon (**Da and Hoon Shares**) in satisfaction of the obligation of the Company to repay the Da and Hoon Loan Amount if Da and Hoon elect to convert the Loan Amount to shares.

If the issue of the Da and Hoon Shares is not approved the Company will be required to repay the Da and Hoon Loan Amount on or before 23 April 2010.

6.3 Listing Rule 7.1

ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 and the terms and conditions of the Da and Hoon Agreement the Company is now seeking the approval of Shareholders for the issue of the Da and Hoon Shares.

The effect of the Shareholders approving the issue of the Da and Hoon Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the maximum number of Shares that will be issued under this Resolution 4 is 43,200,000 Shares;
- the Da and Hoon Shares will be issued and allotted no later than 3 months from the date of the Meeting;
- the issue price of the Da and Hoon Shares is AUD$0.005 per Da and Hoon Share;
- the Da and Hoon Shares will be issued to Da and Hoon who fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that neither Da or Hoon are a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);
- the Da and Hoon Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company;
- the Company will make application for quotation of the Da and Hoon Shares to be issued; and
- the Da and Hoon Loan Amount was used for general working capital and retiring existing debt

7. Resolution 5 - Issue of shares to Boon Kheng Ong

7.1 Introduction

On 30 June 2009 the Company entered into a converting loan agreement with Boon Kheng Ong (**Ong**) (**Ong Agreement**). Under the Ong Agreement, the Company was provided with a loan in the amount of AUD$150,000 (**Ong Loan Amount**).

The Ong Loan Amount was provided to the Company on 23 July 2009 (**Ong Settlement Date**). Under the terms and conditions of the Ong Agreement the Company is entitled to repay the Ong Loan Amount by the issue of Shares which are equivalent in value to the Ong Loan Amount and have an issue price of AUD$0.005 per Share, subject to Shareholder approval.

The Company now seeks Shareholder approval for the issue of Shares under the Ong Agreement.

7.2 Resolution 5

Resolution 5 seeks Shareholder approval to issue 30,000,000 Shares to Ong (**Ong Shares**) in satisfaction of the obligation of the Company to repay the Ong Loan Amount.

If the issue of the Ong Shares is not approved the Company will issue the shares under the 15% threshold to repay the Ong Loan Amount no later than 30 November 2009.

7.3 Listing Rule 7.1

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 and the terms and conditions of the Ong Agreement the Company is now seeking the approval of Shareholders for the issue of the Ong Shares.

The effect of the Shareholders approving the issue of the Ong Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the maximum number of Shares that will be issued under this Resolution 5 is 30,000,000 Shares;
- the Ong Shares will be issued and allotted no later than 30 November 2009;
- the issue price of the Ong Shares is AUD$0.005 per Ong Share;
- the Ong Shares will be issued to Ong who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Ong is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);
- the Ong Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company;
- the Ong Loan Amount was used for general working capital; and
- the Company will make application for quotation of the Ong Shares to be issued.

8. Resolution 6 - Issue of shares to Liao Jing

8.1 Introduction

On 30 July 2009 the Company entered into a converting loan agreement with Liao Jing (**Jing**) (**Jing Agreement**). Under the Jing Agreement, the Company was provided with a loan in the amount of AUD$707,518 (**Jing Loan Amount**).

The Jing Loan Amount was provided to the Company on 30 July 2009 (**Jing Settlement Date**). Under the terms and conditions of the Jing Agreement the Company is entitled to repay the Jing Loan Amount by the issue of Shares which are equivalent in value to the Jing Loan Amount and have an issue price of AUD$0.005 per Share, subject to Shareholder approval.

The Company now seeks Shareholder approval for the issue of Shares under the Jing Agreement.

8.2 Resolution 6

Resolution 6 seeks Shareholder approval to issue 141,503,600 Shares to Jing (**Jing Shares**) in satisfaction of the obligation of the Company to repay the Jing Loan Amount.

If the issue of the Jing Shares is not approved the Company will be required to repay the Jing Loan Amount on or before 31 July 2010.

8.3 Listing Rule 7.1

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 and the terms and conditions of the Jing Agreement the Company is now seeking the approval of Shareholders for the issue of the Jing Shares.

The effect of the Shareholders approving the issue of the Jing Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the number of Shares that will be issued under this Resolution 6 is 141,503,600 Shares;
- the Jing Shares will be issued and allotted no later than 3 months from the date of the Meeting;
- the issue price of the Jing Shares is AUD$0.005 per Jing Share;
- the Jing Shares will be issued to Jing who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Jing is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);
- the Jing Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company;
- the Company will make application for quotation of the Jing Shares to be issued; and
- the Jing Loan Amount was used for general working capital and retirement of debt

9. Resolution 7 - Issue of shares to Manna Investment Pte Ltd

9.1 Introduction

Manna Investment Pte Ltd (a corporation incorporated in accordance with Singaporean laws) (**Manna**) provided the Company with corporate advisory services pursuant to a contract. Under the terms of the contract, the Company was to pay $10,200 to Manna for its services.

Manna agreed to accept the issue of 2,040,000 fully paid ordinary shares, subject to Shareholder approval in the Company being obtained at an issue price of $0.005 per share in lieu of the payment of $10,200.00 for its advisory services. The issue of 2,040,000 Shares to Manna serves as full and final payment for the work performed to date.

9.2 Resolution 7

Resolution 7 seeks Shareholder approval to issue 2,040,000 Shares to Manna (**Manna Shares**) in satisfaction of the obligation of the Company in lieu of payment for corporate advisory fee.

9.3 ASX Listing Rule 7.4

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 the Company is now seeking the approval of Shareholders for the issue of the Manna Shares.

The effect of the Shareholders approving the issue of the Manna Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the number of Shares that will be issued under this Resolution 7 is 2,040,000 Shares;
- the Manna Shares will be issued and allotted no later than 3 months from the date of the Meeting;
- the issue price of the Manna Shares is AUD$0.005 per Manna Share;

- the Manna Shares will be issued to Manna who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Manna is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);

- the Manna Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and

- the Company will make application for quotation of the Manna Shares to be issued.

10. Resolution 8 - Variation of Convertible Note Terms and issue of shares to Lau Superannuation Fund

10.1 Introduction

On 27 December 2006, the Company entered into a convertible note deed with Hawkswood Investment Pty Ltd (Receivers and Managers Appointed) (in liquidation) ACN 098 040 683 (**Hawkswood**) (**Convertible Note Deed**). Under the Convertible Note Deed, Hawkswood provided a loan amount to the Company in the amount of $2,000,000.00 (**Loan Amount**). The Convertible Note Deed obliged the Company to issue to Hawkswood one (1) convertible note for every $1.00 owing under the Loan Amount, convertible into ordinary shares (**Conversion Shares**) in the capital of the Company solely at Hawkswood's discretion (**Convertible Note**), subject to obtaining any approval of the Company's shareholders required by the Company or otherwise required pursuant to the *Corporations Act* and the Listing Rules on or before 27 December 2008.

On 24 December 2008 Hawkswood, LSF and Alvin Phua entered into a convertible note sale agreement (**Sale Agreement**) with the receivers of Hawkswood Investments Pty Ltd. Under the Sale Agreement Hawkswood sold all rights, title and interest in the Convertible Note to LSF. The total consideration paid by LSF to Hawkswood was $200,000 which was the highest bidder at the time and the Sale Agreement completed on 31 July 2009.

On 15 October 2009 the Company and LSF entered into a deed of variation (**Convertible Note Variation**) pursuant to which the terms of the Convertible Note Deed and Convertible Note will be varied, subject to Shareholder approval being obtained. Further details on the Convertible Note are set out in Section 10.7.

10.2 Resolution 8

Resolution 8 seeks shareholder approval to:

(a) vary the terms of the Convertible Note Deed and the Convertible Note as contemplated by the Convertible Note Variation; and

(b) pursuant to the Convertible Note Variation, issue a total of 470,673,827 Conversion Shares to LSF.

10.3 Listing Rule 10.11

Listing Rule 10.11 provides that unless prior approval is obtained, a company must not issue or agree to issue equity securities to a related party.

A "related party" for the purposes of the Listing Rules has the meaning ascribed to that term in the *Corporations Act*. A "related party" for the purposes of the *Corporations Act* is defined widely and it includes a director of the public company. The definition of "related party" is also extended to include an entity controlled by a related party.

Ethel Lau is a trustee of LSF and also the spouse of Alvin Phua, a director of the Company. On this basis, LSF is considered to be a related party for the purposes of the Listing Rules and the *Corporations Act*.

As the Convertible Note was initially issued to Hawkswood, an unrelated party, approval under Listing Rule 10.11 was not required. However, the Company did obtain shareholder approval for the issue of the Convertible Note in 2007.

As the Convertible Note has since been sold to LSF, a related party and now, pursuant to the Convertible Note Variation, the Company will now issue a greater number of shares to LSF than was initially contemplated, accordingly, approval is now being sought for the issue of the Conversion Shares to LSF, under Listing Rule 10.11 and Chapter 2E of the Corporations Act.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

10.4 Chapter 2E of the Corporations Act

Chapter 2E of the *Corporations Act* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

As stated above, a "related party" for the purposes of the *Corporations Act* is defined widely and it includes a director of the public company and any entity controlled by a director.

A "financial benefit" for the purposes of the *Corporations Act* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. By virtue of the Convertible Note Variation and the issue of the Conversion Shares, a financial benefit will be conferred upon a related party within the ambit of Chapter 2E of the *Corporations Act*.

If Resolution 8 is passed, it will confer a financial benefit to LSF and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act* and for this reason and for all other purposes the following information is provided to Shareholders.

(a) **The related party to whom Resolution 8 would permit the financial benefit to be given**

The Lau Superannuation Fund (**LSF**), being an entity controlled by Ms Ethel Lau (who is the trustee of LSF), is the spouse of Alvin Phua, a director of the Company.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is represented by the variation of the Convertible Note to issue a greater number of shares to LSF.

(c) **Directors' Recommendation**

With respect to Resolution 8, Mr Raphael Tham, and Mr Michael Walsh recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

(1) the issue of a greater number of Shares is in consideration for the automatic conversion of the Convertible Note which will remove any obligation of the Company to fund repayment of the Loan Amount. It is the directors' view that by removing the obligation to repay this Loan Amount the Company will be able to focus its cash flow on working capital for the operation of existing and any newly acquired business in Australia and overseas; and

(2) an independent expert's report (**Report**) has been commissioned and prepared by PKF Corporate Advisory into the arrangements pursuant to the variation of the Convertible Note. A copy of the Report is attached to this Explanatory Statement. In summary, PKF Corporate Advisory has the opinion that the proposed

transaction is not fair but reasonable to the non-associated shareholders of the Company.

As Mr Phua, is associated with LSF and therefore interested in the outcome of Resolution 8, he accordingly makes no recommendation to shareholders in respect of this resolution.

(d) **Directors' Interest and other remuneration**

Mr Phua has a material personal interest in the outcome of Resolution 8, as the Conversion Shares will be issued to LSF, an entity controlled by a related party associated with him, as set out in Resolution 8.

The following is a summary of the current holdings of Mr Phua (and entities associated with him, including LSF):

	Current Shareholding	%	Shareholding following conversion of convertible notes	%[3,2]
Apel Pacific Group Pty Ltd	22,727,273	5%	22,727,273	2.4%
Lau Superannuation Fund	18,166,156	4%	488,839,983	52.8%
Other shareholders	414,958,682	91%	414,958,682	44.7%[4]
Total	**455,852,111**	**100%**	**926,525,938**[2]	**100%**

Notes:

(1) Alvin Phua is the sole director and company secretary of Apel Pacific Group Pty Ltd (**Apel**). In addition, Ethel Lau has a relevant interest in the shares held by Apel by virtue of her shareholding in Apel.

(2) Assumes the Da and Hoon Loan Amount, Jing Loan Amount and Ong Loan Amount are not converted into Shares as set out in this Notice of Meeting and Explanatory Memorandum.

(3) Assumes shares that are to be issued to Messrs Tham, Ferguson, Walsh and Phua pursuant to resolutions 13, 14, 15 and 16 have not been issued.

(4) If the shares that are to be issued upon conversion of the Da and Hoon Loan Amount, Ong Loan Amount, Jing Loan Amount are converted into Shares as set out in this Notice of Meeting and Explanatory Memorandum, and the shares are issued to Messrs Tham, Ferguson, Walsh and Phua pursuant to resolutions 13,14,15 and 16 and the Manna Shares, Pacific Shares, Niche Shares and Kiree Shares are issued the total shareholding of the Lau Superannuation Fund (including its associates) will be approximately 42.98% Please refer to the capital structure table set out in section 19 for further details on the shareholdings of each entity listed above.

(e) **Valuation**

In accordance with Listing Rule 10.11 and Item 7 of Section 611 of the *Corporations Act*, the Company has commissioned a report looking into the fairness and reasonableness of the transaction to which Resolution 8 relates. The report, prepared by PKF Corporate Advisory which is attached to this Explanatory Memorandum, sets out a valuation of the Conversion Shares that will be issued to LSF.

Further details are set forth in the Report, which is attached to this Explanatory Memorandum.

(f) **Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its directors save and except as follows:

(1) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Conversion Shares to LSF is the dilutionary impact on the issued share capital of the Company. To the extent that the issue of the Conversion Shares will have a dilutionary impact which will be detrimental to the Company, the Directors believe that this is more than offset by the advantages accruing from the Company in removing the obligation of the Company to repay the Loan Amount.

(2) **Taxation Consequences**

There is no stamp duty expected to be payable in respect of the variation of the Convertible Note Deed or the issue of the Conversion Shares.

The Convertible Note constitutes a debt interest for taxation purposes as the Company has an effectively non contingent obligation to repay the face value of the Convertible Note to LSF regardless of the economic performance of the Company. Any decision to convert is at the sole discretion of LSF.

(3) **Dilutionary Effect**

The issue of the Conversion Shares will have a dilutionary effect on the current issued capital of the Company. Further details on the dilutionary impact of the issue of the Conversion Shares is set out in Section 9.4(d)

10.5 Section 611 of the Corporations Act

Section 606 of the *Corporations Act* prohibits a person from acquiring an interest in a company if the acquisition would result in that person's voting power (as defined in the *Corporations Act*) in the company increasing (relevantly), where the persons voting power increases a starting point that is below 20% to above 20%. However, there are certain specified exceptions to the general prohibition contained in Section 606 of the *Corporations Act*. In particular, Item 7 of Section 611 of the *Corporations Act* exempts an acquisition agreed to by a resolution passed at a general meeting on which no votes were cast in favour of the resolution by the person proposing to make the acquisition or their associates.

Details of the voting power of LSF and its associates are set out in Section 10.4 of this Explanatory Memorandum.

10.6 Summary of Convertible Note

A summary of the material terms of the Convertible Note Deed are set out below:

(a) Amount

The Company had issued 2,000,000 unsecured convertible notes (**Notes**) to Hawkswood with a face value of $1.00 per Note to raise $2,000,000.

(b) Term

On 3 August 2009 the Company announced that LSF had agreed to vary and extend the maturity date under the Convertible Note to 31 December 2009 (**Maturity Date**).

(c) Interest Rate

A coupon rate of 11% per annum will be applied to the Notes and will accrue and be paid on maturity or conversion as the case may be.

(d) Conversion Price

The Notes are currently convertible into fully paid ordinary shares at the election of the Noteholder at an issue price of $0.0425 per Share. However, the Company is seeking approval to vary the conversion rate to $0.005 per Share. Further details on the variation to the convertible note are set out in section 9.7 below.

(e) Transferability

The Notes are freely transferable in whole or in part providing the offer or invitation to transfer does not constitute an offer or invitation for which disclosure is required to be made to investors under Part 6D.2 of the Corporations Act.

(f) No participation in new issues

The Noteholder does not have the right to participate in new issues of securities offered to Shareholders of the Company prior to the issue of the Conversion Shares.

(g) Reorganisation

In the event of any reconstruction or reorganisation of the issued capital of the Company the rights of the Noteholder will be changed to the extent necessary to comply with the Listing Rules applying to the reorganisation or reconstruction of capital at the time of the reorganisation or reconstruction.

(h) Security and Ranking

The Convertible Note is unsecured, and ranked for repayment of principal equally with all other unsecured creditors of the Company.

(i) Conversion Shares

Each Share (as the case may be) issued upon conversion of the Convertible Note shall rank, as from the date of conversion or redemption, in all respects pari passu with the then existing Shares on issue.

10.7 Summary of Convertible Note Variation

The terms of the Convertible Note Deed and the Convertible Note which had initially been issued to

Hawkswood and has subsequently been sold to LSF by Hawkswood provide that the Convertible Note shall, at the option of the noteholder [noting that this is LSF], convert to Shares on the basis of one (1) Share for every $0.0425 of the Loan Amount which is outstanding. That is, the Shares to be issued to LSF upon conversion of the Convertible Note will have an issue price of $0.0425 each.

If LSF does not elect to convert the Convertible Note to Shares, the Company will be obliged to repay all Loan Amount (including interest) on 31 December 2009.

The Company and LSF have agreed, subject to shareholder approval being obtained to vary the terms of the Convertible Note Deed and the Convertible Note.

The effect of this variation is that the number of Shares to be issued to LSF upon conversion of the Convertible Note will increase from 47,058,823 Shares to 470,673,827 Shares on the basis that the full Loan Amount of $2,000,000 has been provided to the Company at the date of conversion. LSF will not be obliged to repay any amount under the Convertible Note Deed save for interest which has accrued as at the date of the conversion. Further, the Company will have no further obligations to LSF under the terms of the Convertible Note Deed following the conversion.

The Company now seeks the approval of members to vary the terms of the Convertible Note and issue the increased number of Shares to LSF upon conversion.

The Convertible Note Variation entered by the Company and LSF will have the following effect:

- the Convertible Note shall convert to Shares on the basis of one (1) Share for every $0.005 of the Loan Amount which is outstanding. That is, the Shares to be issued to LSF upon conversion of the Convertible Note will have an issue price of $0.005 each; and

- the Convertible Note shall automatically convert on the Business Day immediately following shareholder approval being obtained under Resolution 8.

However, as the conversion will be automatic upon shareholder approval being obtained, the Company will not be obliged to repay any amount under the Convertible Note Deed (save for interest which has accrued as at the date of the conversion).

Further, the Company will have no further obligations to LSF under the terms of the Convertible Note Deed following the conversion.

10.8 Item 7 Section 611 of the Corporations Act

If Shareholders approve Resolution 8, LSF will be issued with 470,673,827 Conversion Shares and the relevant interest in voting shares in the Company of LSF and its associates will increase.

The current holdings of LSF in the Company are set out in Section 10.4 above.

Section 10.4(d) provides the following details of the holdings of LSF (and its associates) in the Company:

(a) Current holdings; and

(b) Holdings if the Convertible Note Variation is approved and all drawn down amounts of the Loan Amount automatically convert into Conversion Shares and the maximum number of 470,673,827 Conversion Shares were issued.

In order for LSF to be issued with the increased number of Conversion Shares, this must be approved by a resolution passed at a general meeting of the Company. This Explanatory Memorandum proposes to provide sufficient detail for the shareholders of the Company to appropriately consider such a resolution and should be read in conjunction with the independent report of PKF Corporate Advisory Accountants which is enclosed with the Notice of Meeting.

In accordance with Item 7 of Section 611 of the *Corporations Act*, attached to the Notice of Meeting and this Explanatory Memorandum is an independent report prepared by PKF Corporate Advisory Accountants (**Report**) into the fairness and reasonableness of the proposed issue of the Conversion Shares. Shareholders are urged to read and consider the Report prior to making a decision as to how to vote on Resolution 8.

If Shareholders approve Resolution 8 the Company will issue 470,673,827 fully paid ordinary shares to LSF. If Shareholders do not approve Resolution 8 the Company will be required to repay $2,000,000 to LSF by 31 December 2009.

11. Resolution 9 - Appointment of auditor

By resolution 9, the Company is seeking shareholder approval for the appointment of Hacketts DRK as auditor for the Company, subject to the consent of the Australian Securities & Investments Commission (**ASIC**) pursuant to the Corporations Act and subject to compliance generally with the Corporations Act.

Subsequent to the Company's incumbent auditor's, Pitcher Partners, decision to cease to provide audit services, the Directors have appointed Hacketts DFK to fill a casual vacancy resulting from the former audit partners' resignations. Effective 9 February 2009 the Australian Securities and Investments Commission provided consent to the former audit partners' resignations.

The Company has also received a nomination from a member of the Company (in the form **attached** to this Explanatory Memorandum) nominating Hacketts DFK as a proposed auditor of the Company in accordance with section 328B(3) of the Corporations Act.

Accordingly, the Company is seeking shareholder approval for the appointment of Hacketts DRK as auditor of the Company, with such appointment to be effective upon the consent of the ASIC being given to the current auditor of the Company resigning.

The Board unanimously recommends that Shareholders vote in favour of this Ordinary Resolution

12. Resolution 10 - Approval to issue placement shares

12.1 Introduction

Resolution 10 seeks shareholder approval to issue of up to 200,000,000 new fully paid ordinary shares (**Placement Shares**) at an issue price per Placement Share of not less than 80% of the weighted average trading price of the Company's shares calculated over the last five (5) days on which sales in the securities of the Company were recorded before the day on which the share placement is made (**Placement Shares**) to one or more sophisticated or professional investors that fall within one or more of the classes of exemptions specified in section 708 of the *Corporation Act 2001*.

In order to preserve the maximum commercial flexibility of the Company to issue Shares under ASX Listing Rule 7.1, and in circumstances where the Company and the Directors of the Company believe that such issue of Shares is in the best interests of the Company and its Shareholders without having to obtain separate shareholder approval for such issue, the Company is seeking to obtain approval of its Shareholders to the issue of up to 200,000,000 Shares to effect the capital raising.

The effect of the shareholders approving the issue of these Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

The funds raised by the issue of the Placement Shares will be used by the Company for general working capital and retiring debt.

12.2 Resolution 10

Resolution 10 seeks Shareholder approval to issue up to 200,000,000 Shares.

12.3 Listing Rule 7.1

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

The effect of the Shareholders approving the issue of the Placement Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the maximum number of Placement Shares that will be issued under this Resolution 10 is 200,000,000;
- the Placement Shares will be issued and allotted on a progressive basis (as the Company identifies and agrees terms with Placees), but in any event will be issued and allotted not later than 3 months from the date of the Meeting;
- the issue price of the Placement Shares will be determined by the Directors of the Company, but shall not be less than the price that is 80% of the average market price of the Shares over the 5 trading days prior to the date of issue of the Placement Shares;
- the Placement Shares will be issued to certain persons selected by the Directors of the Company from time to time who fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act, provided that the Placement Shares will not be issued to any related party of the Company (within the meaning of the Corporations Act and the Listing Rules);
- the Placement Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and
- the Company will make application for quotation of the Placement Shares to be issued.

13. Resolution 11 - Ratification of the issue of Shares to Placees

13.1 Introduction

As announced to the market on 5 October 2009, the Company completed a placement of 21,000,000 ordinary shares at an issue price of $0.005 per share to raise a total of A$105,000 for the Company (**Previous Placement Shares**). The funds raised will be used for general working capital of the Company.

The placement was made to the following investors who fall within one or more of the exemptions contained in Section 708 of the *Corporations Act* (**Placees**):

Name of Placee	Total no. of Shares issued
Ms See Ee Choo	10,000,000
Mr Zheng Kang Wen, Mervyn	10,000,000
Kris Kowalski (Kowalski Super Fund)	1,000,000
Total Shares Issued	**21,000,000**

13.2 Resolution 11

Resolution 11 seeks the ratification of shareholders for the previous issue of 21,000,000 fully paid ordinary shares (**Previous Placement Shares**) Shares at AUD$0.005 per Share.

13.3 ASX Listing Rule 7.4

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, shareholder approval is sought to ratify the issue of Previous Shares in the Company, being issues of securities made by the Company during the previous 12 months for which shareholder approval has not already been obtained.

As previously outlined, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

If this Resolution is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further shareholder approval.

For the purposes of ASX Listing Rule 7.5, the Company advises:

- the number of Shares issued was 21,000,000 fully paid ordinary shares;
- the Previous Placement Shares were issued and allotted on 5 October 2009;
- the Previous Placement Shares were issued at AUD$0.005 per Share;
- the Previous Placement Shares were issued to the Placees who fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act, and is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);
- the Previous Placement Shares have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and
- the funds raised from the Previous Placement Shares will be used for general working capital of the Company.

14. Resolution 12 - Ratification of the issue of shares to Bambrick Media Pty Ltd

14.1 Introduction

On 10 August 2009 the Company entered into a contract with Bambrick Media Pty Ltd ACN 112 089 102 (**Bambrick**) for the purposes of Bambrick designing and establishing an internet site for the Company. Under the terms of the Contract, the Company was to pay $5,920.00 to Bambrick for its services.

Bambrick agreed to accept the issue of 1,184,000 fully paid ordinary shares in the Company at an issue price of $0.005 per share in lieu of the payment of $5,920.00 for its designing services. The issue of 1,184,000 Shares to Bambrick serves as full and final payment for the work performed to date.

14.2 Resolution 12

Resolution 12 seeks the ratification of shareholders for the previous issue of 1,184,000 fully paid ordinary shares (**Bambrick Shares**) Shares at AUD$0.005 per Share to Bambrick.

14.3 ASX Listing Rule 7.4

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, shareholder approval is sought to ratify the issue of Previous Shares in the Company, being issues of securities made by the Company during the previous 12 months for which shareholder approval has not already been obtained.

As previously outlined, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

If this Resolution 12 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further shareholder approval.

For the purposes of ASX Listing Rule 7.5, the Company advises:

- the number of shares issued to Bambrick was 1,184,000 fully paid ordinary shares;
- the Bambrick Shares were issued and allotted on 15 October 2009;
- the Bambrick Shares were issued at AUD$0.005 per Share;
- the Bambrick Shares were issued to Bambrick Media Pty Ltd ACN 112 089 102 who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act, and is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules;.
- the Bambrick Shares have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and
- the Bambrick Shares were issued in satisfaction of the Company's obligation to pay Bambrick Media Pty Ltd for the creation and establishment of the Company's website and accordingly no funds raised were raised on the issue of the Bambrick Shares.

15. Resolution 13, 14, 15 and 16- Issue of Shares to Raphael Tham, Glenn Ferguson, Michael Walsh and Alvin Phua

15.1 Introduction

Raphael Tham, Michael Walsh and Alvin Phua are all current directors of the Company and each director is entitled to receive a director's fee for their services to the Company. In addition, Glenn Ferguson was a director of the Company until his resignation as a director of the Company on 13 October 2009. Messrs Tham, Ferguson, Walsh and Phua have agreed to accept the issue of shares (as set out below) in lieu of the director's fees owing to each of them for the service to the Company up to and including 31 October 2009. The current directors of the Company are strongly committed to the Company as evidenced by the acceptance of shares in lieu of a cash payment for the director's fees owing to each of them.

15.2 Resolutions 13, 14, 15 and 16

Resolutions 13, 14, 15 and 16 seek shareholder approval to issue the following Shares to the directors as follows:

- <u>Resolution 13</u> - the issue of 12,479,844 fully paid ordinary Shares to Raphael Tham for a deemed issue price of $0.005 per Share(**Tham Shares**);

- Resolution 14 - the issue of 11,449,148 fully paid ordinary Shares to Glenn Ferguson for a deemed issue price of $0.005 per Share (**Ferguson Shares**);

- Resolution 15 - the issue of 8,750,122 fully paid ordinary Shares to Michael Walsh for a deemed issue price of $0.005 per Share (**Walsh Shares)**; and

- Resolution 16 - the issue of issue 8,750,122 fully paid ordinary Shares to Alvin Phua for a deemed issue price of $0.005 per Share (**Phua Shares**).

15.3 Listing Rule 10.11

As previously outlined, Listing Rule 10.11 provides that unless prior approval is obtained, a company must not issue or agree to issue equity securities to a related party.

A "related party" for the purposes of the Listing Rules has the meaning ascribed to that term in the *Corporations Act*. A "related party" for the purposes of the *Corporations Act* is defined widely and it includes a director of the public company. The definition of "related party" is also extended to include an entity controlled by a related party.

Raphael Tham, Michael Walsh and Alvin Phua are directors of the Company and therefore, each are considered to be a related party for the purposes of the Listing Rules and the *Corporations Act*. In addition, as Glenn Ferguson was a director of the Company in the last 6 months he is also considered to be a related party for the purposes of the Listing Rules and the *Corporations Act.*

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

15.4 Chapter 2E of the Corporations Act

As previously outlined, Chapter 2E of the *Corporations Act* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

As stated above, a "related party" for the purposes of the *Corporations Act* is defined widely and it includes a director of the public company and any entity controlled by a director.

A "financial benefit" for the purposes of the *Corporations Act* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. By virtue of the issue of Tham Shares, the Ferguson Shares, the Walsh Shares and the Phua Shares, a financial benefit will be conferred upon a related party within the ambit of Chapter 2E of the *Corporations Act*.

If Resolution 13,14,15 and 16 are passed, it will confer financial benefits to Raphael Tham, Glenn Ferguson, Michael Walsh and Alvin Phua (respectively) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act* and for this reason and for all other purposes the following information is provided to Shareholders.

(a) **The related party to whom Resolution 13, 14, 15 and 16 would permit the financial benefit to be given as noted below**

- Raphael Tham (pursuant to Resolution 13);

- Glenn Ferguson (pursuant to Resolution 14);

- Michael Walsh (pursuant to Resolution 15);

- Alvin Phua (pursuant to Resolution 16);

all being directors of the Company or in the case of Glenn Ferguson a former director of the Company.

(b) **The nature of the financial benefits being given under Resolutions 13, 14, 15 and 16**

The nature of the proposed financial benefit to be given is represented by issue of Shares to as set out in section 14.2 to:

- Raphael Tham (pursuant to Resolution 13);
- Glenn Ferguson (pursuant to Resolution 14);
- Michael Walsh (pursuant to Resolution 15);
- Alvin Phua (pursuant to Resolution 16),

in lieu of services provided as a director of the Company up to 31 October 2009.

(c) **Directors' Recommendation**

Resolution 13

With respect to Resolution 13, Mr Alvin Phua and Mr Michael Walsh recommend that Shareholders vote in favour of this resolution. As Mr Tham is interested in the outcome of Resolution 13, he accordingly makes no recommendation to shareholders in respect of Resolution 13.

Resolution 14

With respect to Resolution 14, Mr Alvin Phua, Mr Raphael Tham, and Mr Michael Walsh recommend that Shareholders vote in favour of this resolution. As Mr Ferguson is interested in the outcome of Resolution 14, he accordingly makes no recommendation to shareholders in respect of Resolution 14.

Resolution 15

With respect to Resolution 15, Mr Alvin Phua and Mr Raphael Tham recommend that Shareholders vote in favour of this resolution. As Mr Walsh is interested in the outcome of Resolution 15, he accordingly makes no recommendation to shareholders in respect of Resolution 15.

Resolution 16

With respect to Resolution 16, Mr Michael Walsh and Mr Raphael Tham, recommend that Shareholders vote in favour of this resolution. As Mr Phua is interested in the outcome of Resolution 16, he accordingly makes no recommendation to shareholders in respect of Resolution 16.

Reasons for Directors recommendations under Resolutions 13, 14, 15 and 16

The issue of the Tham Shares, Ferguson Shares, Walsh Shares and Phua Shares is in consideration for payment of outstanding directors' fees owing to Raphael Tham, Glenn Ferguson, Michael Walsh, and Alvin Phua and will remove any obligation of the Company to fund payment of directors' fees for the service these directors provided up to and including 31 October 2009.

It is the directors' view that by removing the obligation to pay the directors' fees to the directors identified in Resolutions 13,14,15 and 16, that the issue of Shares to Messrs Tham, Ferguson, Walsh and Phua (respectively) appropriately rewards and incentivise the directors for their commitment to date and dedication to the Company. The directors and Messer Ferguson believe this is evidenced by their election to be issued with shares in the Company rather than a cash payment to enable the Company to focus its cash flow on working capital for the operation of existing and any newly acquired businesses both in Australia and overseas.

Directors' Interest and other remuneration

It is noted that the following material personal interests arise as a result of Resolutions 13, 14, 15 and 16

- Mr Tham has a material personal interest in the outcome of Resolution 13, as the Tham Shares will be issued to him as set out in 15.2 of this Explanatory Memorandum;

- Mr Ferguson has a material personal interest in the outcome of Resolution 14, as the Ferguson Shares will be issued to him as set out in 15.2 of this Explanatory Memorandum;

- Mr Walsh has a material personal interest in the outcome of Resolution 15, as the Walsh Shares will be issued to him as set out in 15.2 of this Explanatory Memorandum;

- Mr Phua has a material personal interest in the outcome of Resolution 16, as the Phua Shares will be issued to him as set out in 15.2 of this Explanatory Memorandum.

The following is a summary of the current holdings of Mr Tham, Mr Ferguson, Mr Walsh and Mr Phua (and entities associated with them):

Director	Current Holding	% of total shares on issue	Shareholding following approval of Resolutions 13, 14, 15 and 16	% of total shares on issue
Raphael Tham	Nil	-	12,479,844	2.50%
Glenn Ferguson	340,851	0.08%	11,789,999	2.37%
Michael Walsh	Nil	-	8,750,122	1.76%
Alvin Phua	22,727,273[1]	4.99%	31,477,395	6.3%%
Other Shareholders	432,783,987	94.92%	432,783,987	87%
Total Shares on issue in the Company	**455,852,111**[2]	**100%**	[3,4] **497,281,347,**	**100%**

Note 1: Alvin Phua holds 22,727,273 shares indirectly through APEL Pacific Group Pty Ltd < the APEL Family A/c> a company of which he is the sole director/company secretary and a shareholder.

Note 2: This figure represents the total shares on issue at the time the notice of meeting was prepared and assumes no other shares are issued.

Note 3: Assumes no other shares are issued. 1,190,198,774 will be the total shares on issue in the Company if all resolutions contained in this Notice of Meeting and Explanatory Memorandum are approved, and no further shares in the Company are issued prior to the meeting being held.

Note 4 Assumes Resolution 13, 14, 15, 16 are passed.

(d) **Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its directors save and except as follows:

(1) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Tham Shares, Ferguson Shares, Walsh Shares and Phua Shares to the directors is the dilutionary impact on the issued share capital of the Company. To the extent that the issue of the Tham Shares, Ferguson Shares, Walsh Shares and Phua Shares will have a dilutionary impact which will be detrimental to the Company, the Directors believe that this is more than offset by the advantages accruing from the Company in removing the obligation of the Company to pay the outstanding directors fees.

(2) **Taxation Consequences**

There is no stamp duty expected to be payable in respect of the issue of the Tham Shares, Ferguson Shares, Walsh Shares and Phua Shares.

(3) **Dilutionary Effect**

The issue of the Tham Shares, Ferguson Shares, Walsh Shares and Phua Shares will have a dilutionary effect on the current issued capital of the Company.

16. Resolution 17 - Issue of shares to Asia Pacific Links (BVI) Pty Ltd

On 30 June 2009 the Company entered into a contract with Asia Pacific Links (BVI) Pty Ltd ACN 136 722 908 (**Pacific**) for the purposes of Pacific providing corporate advisory services for fund raising to the Company. Under the terms of the contract, the Company was to pay $7,500 to Pacific for its services.

Pacific agreed to accept the issue of 1,500,000 fully paid ordinary shares in the Company at an issue price of $0.005 per share in lieu of the payment of $7,500 for its provision of corporate advisory services for fund raising. The issue of 1,500,000 Shares to Pacific serves as full and final payment for the work performed to date.

16.1 Resolution 17

Resolution 17 seeks Shareholder approval to issue 1,500,000 Shares to Pacific (**Pacific Shares**) in lieu of a cash payment for providing corporate advisory services for fund raising to the Company.

16.2 ASX Listing Rule 7.1

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 the Company is now seeking the approval of Shareholders for the issue of the Pacific Shares.

The effect of the Shareholders approving the issue of the Pacific Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the number of Shares that will be issued under this Resolution 17 is 1,500,000 Shares;
- the Pacific Shares will be issued and allotted no later than 3 months from the date of the Meeting;
- the issue price of the Pacific Shares is AUD$0.005 per Pacific Share;

- the Pacific Shares will be issued to Pacific who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Pacific is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);

- the Pacific Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and

- the Company will make application for quotation of the Pacific Shares to be issued.

17. Resolution 18 - Issue of shares to Niche Realty Pty Ltd

On 20 October 2008 the Company entered into a contract with Niche Realty Pty Ltd ACN 055 382 940 (**Niche**) for the purposes of Niche providing corporate advisory services for fund raising to the Company. Under the terms of the contract, the Company was to pay $15,000 to Niche for its services.

Niche agreed to accept the issue of 3,000,000 fully paid ordinary shares in the Company at an issue price of $0.005 per share in lieu of the payment of $15,000 for its provision of corporate advisory services for fund raising. The issue of 3,000,000 Shares to Niche serves as full and final payment for the work performed to date.

17.1 Resolution 18

Resolution 18 seeks Shareholder approval to issue 3,000,000 Shares to Niche (**Niche Shares**) in lieu of payment for providing corporate advisory services for fund raising to the Company.

17.2 ASX Listing Rule 7.1

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 the Company is now seeking the approval of Shareholders for the issue of the Niche Shares.

The effect of the Shareholders approving the issue of the Niche Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the number of Shares that will be issued under this Resolution 18 is 3,000,000 Shares;

- the Niche Shares will be issued and allotted no later than 3 months from the date of the Meeting;

- the issue price of the Niche Shares is AUD$0.005 per Niche Share;

- the Niche Shares will be issued to Niche who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Pacific is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules);

- The Niche Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and

- The Company will make application for quotation of the Niche Shares to be issued.

18. Resolution 19 - Issue of shares to Kiree Limited

On 15 Sep 2009 the Company entered into a contract with Kiree Limited **(Kiree)** (a company incorporated in accordance with the laws of Hong Kong) for the purposes of Kiree providing corporate advisory services to the Company. Under the terms of the contract, the Company was to pay $5,000 to Kiree for its services.

Kiree agreed to accept the issue of 1,000,000 fully paid ordinary shares in the Company at an issue price of $0.005 per share in lieu of the payment of $5,000 for its provision of corporate advisory services for fund raising. The issue of 1,000,000 Shares to Kiree serves as full and final payment for the work performed to date.

18.1 Resolution 19

Resolution 19 seeks Shareholder approval to issue 1,000,000 Shares to Kiree Limited (**Kiree Shares**) in lieu of payment for providing corporate advisory services for fund raising to the Company.

18.2 ASX Listing Rule 7.4

As previously noted, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In accordance with Listing Rule 7.1 the Company is now seeking the approval of Shareholders for the issue of the Kiree Shares.

The effect of the Shareholders approving the issue of the Kiree Shares will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.3, the Company advises as follows:

- the number of Shares that will be issued under this Resolution 19 is 1,000,000 Shares;
- the Kiree Shares will be issued and allotted no later than 3 months from the date of the Meeting;
- the issue price of the Kiree Shares is AUD$0.005 per Kiree Share;
- the Kiree Shares will be issued to Kiree who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company confirms that Pacific is not a related party of the Company (within the meaning of the Corporations Act and the Listing Rules). ;
- the Kiree Shares will have the same rights and entitlements as all other fully paid ordinary shares in the issued capital of the Company; and
- the Company will make application for quotation of the Kiree Shares to be issued.

19. Capital Structure

19.1 Capital Structure

The following table sets out the current capital structure of the Company and the capital structure of the Company in the event that:

(a) Shares are issued to Da and Hoon;

(b) Shares are issued to Ong;

(c) Shares are issued to Jing;

(d) Shares are issued to LSF;

(e) Shares issued to Bambrick;

(f) Shares issued to Manna;

(g) Shares issued to Pacific;

(h) Shares issued to Niche; and

(i) Shares issued to Kiree

The potential effect of the issue of Shares upon the conversion of the Notes on the current issued capital of the Company is set out below:

Shareholders	Current Share Capital		Share Capital Upon Conversion of Notes into Shares [2,3 & 4]	
Current Shareholders	396,774,682	87.04%	438,203,904	36.82%
Da and Hoon	NIL		43,200,000	3.63%
Jing	NIL		141,503,600	11.89%
Boon Kheng Ong	17,000,000	3.73%	47,000,000	3.95%
Bambrick Media Pty Ltd	1,184,000	0.26%	1,184,000	0.10%
LSF	40,893,429[1]	8.97%	511,567,256[1]	42.98%
Manna Investment Pte Ltd	NIL		2,040,000	0.17%
Asia Pacific Links (BVI) Pty Ltd	NIL		1,500,000	0.13%
Niche Realty Pty Ltd	NIL		3,000,000	0.25%
Kiree Limited	NIL		1,000,000	0.08%
Total	**455,852,111**	**100%**	**1,190,198,774**	**100.00%**

1. Includes 22,727,273 shares held by Apel Pacific Group Pty Ltd an entity that Ethel Lau has a relevant interest in.
2. Assumes that the Company has not issued 200,000,000 as contemplated by Resolution 10.
3. Assumes no options are exercised.
4. Assumes shares to be issued to directors pursuant to resolutions 13,14,15,16 are issued.
5. Includes 21,000,000 shares issued pursuant to a placement as particularised in resolution 11

20. Interpretation

ASIC means the Australian Securities and Investments Commission;

ASX means the ASX Limited ACN 008 624 691;

Board means the board of the Company;

Company means Byte Power Group Limited ACN 009 268 571;

Corporations Act means Corporations Act 2001 (Cwlth);

Listing Rules means the listing rules of the ASX;

Meeting means the Meeting to be held on 30 November 2009;

Report means the independent expert report prepared by PKF Corporate Advisory;

Resolution means a resolution to be proposed at the Meeting;

Shares means ordinary fully paid shares in the issued capital of the Company; and

Shareholder means a shareholder of the Company;

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Ethel Lau (Company Secretary):

> *Level 1, 77 Doggett Street, Newstead Qld 4006*
> *07 3620 1688*

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001 (*Cth*).*

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act.*

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below , or the Share Registry,** Level 19, 324 Queen Street, Brisbane, QLD 4000 not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Byte Power Group Limited
Level 1, 77 Doggett Street, Newstead Qld 4006

Telephone Phone**:** 07 3620 1688

Facsimile No: 07 3620 1689

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (Sydney Time) on 28 November 2009 (Noting that this will be 6.00pm Brisbane Time). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy 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 security holders should sign.
Power of Attorney:	To sign under Power of Attorney, you must have already lodged this document with the 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.

Byte Power Group Limited

Independent Expert's Report
15 October 2009

right size. right people. right answers.®

15 October 2009

The Directors
Byte Power Group Limited
1/75 Longland Street
NEWSTEAD QLD 4006

Dear Sirs,

INDEPENDENT EXPERT'S REPORT – REDUCTION OF CONVERSION PRICE OF CONVERTIBLE NOTES

Introduction

On 29 December 2008, Byte Power Group Limited **("BPG" or the "Company")** announced to the Australian Securities Exchange **("ASX")** that Hawkswood Investments Pty Limited **("Hawkswood")** had sold 2,000,000 convertible notes with a face value of $2 million, which had been issued by BPG on 27 December 2006 **("Notes")**, to the Lau Superannuation Fund **(the "Noteholder")**. On 3 August 2009, BPG announced that it had reached an agreement with the Noteholder to extend the maturity date of the Notes from 31 July 2009 to 31 December 2009.

Ms Ethel Lau, the company secretary of BPG, is the trustee of the Noteholder and in addition, holds 50% of the issued capital of Apel Pacific Group Pty Limited, the third largest shareholder of BPG. The Noteholder and Apel Pacific Group Pty Limited are collectively referred to as **("Ms Lau's Associated Entities")**.

We understand that the Noteholder is proposing to lower the conversion price of the Notes from 4.25 cents to 0.5 cents per share **(the "Proposed Transaction")**. We understand that if the Proposed Transaction proceeds and the Notes and the interest accrued on the Notes of $353,369 **("Interest Accrued")** were converted into ordinary shares in BPG, Ms Lau's Associated Entities will hold 43.0% of the issued shares in the Company on a fully diluted basis assuming all other existing converting loans are converted into BPG shares.

The directors of BPG **("Directors")** have requested PKF Corporate Advisory (East Coast) Pty Limited **("PKFCA", "us" or "we")**, to prepare an independent expert's report **("IER")** expressing our opinion as to whether the Proposed Transaction is "fair and reasonable" to the shareholders of BPG not associated with the Proposed Transaction **("Non-Associated Shareholders")**.

Purpose and Scope

Purpose

The purpose of our IER is to express our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders of BPG. The Non-Associated Shareholders are

The PKF East Coast Practice is a member of PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

those shareholders in BPG whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction.

This IER is to be provided to the shareholders of BPG is to assist the Directors in fulfilling their obligation to provide shareholders with full and proper disclosure to enable them to assess the merit of the Proposed Transaction and to decide whether to agree by resolution to the Proposed Transaction.

The IER is not to be used for any other purpose and PKFCA does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without the written consent of PKFCA, as to the form and context in which it may appear.

The IER has not considered any new resolutions outlined in the explanatory memorandum other than the Proposed Transaction.

Corporations Act

The Proposed Transaction is subject to Section 611 of the Corporations Act 2001 **("the Act")** and Chapter 2E of the Act.

Section 606 of the Act **("Section 606")** does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company without making a takeover offer.

Section 611 of the Act **("Section 611")** provides an exemption to Section 606 if the Proposed Transaction is approved by a resolution of the shareholders at a general meeting called for that purpose.

Chapter 2E of the Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in a general meeting. Ms Lau's Associated Entities are considered a related party of BPG and approval of the Proposed Transaction is therefore required by shareholders at a general meeting.

The Listing Rules

The Proposed Transaction is subject to Chapter 10 of the Australian Stock Exchange Listing Rules **("the ASX Listing Rules")**.

Approval is being sought from the shareholders under ASX Listing Rule 10.11 as Ms Lau's Associated Entities are considered a related party of BPG.

Scope

The scope of the procedures undertaken in forming our opinion on whether the Proposed Transaction is "fair and reasonable" has been limited to those procedures we believe are required in order to form our opinion. Our procedures, in the preparation of the IER, did not include verification work nor did they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board or its predecessors.

The assessment of whether the Proposed Transaction is "fair and reasonable" involved determining the "fair market value" of BPG shares.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependant on the exercise of individual judgement. There is therefore no indisputable value, and we normally express our opinion as falling within a likely range.

We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in our report. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is “fair and reasonable” to them.

An individual shareholder’s decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, shareholders should seek independent advice.

Conclusion

In our opinion, the Proposed Transaction is **“not fair** but **reasonable”** to the Non-Associated Shareholders.

Fairness

In essence, the Proposed Transaction requires BPG to exchange convertible notes with face value of $2 million convertible into BPG shares at 4.25 cents for convertible notes with face value of $2 million convertible into BPG shares at 0.5 cents thus increasing the number of shares issued on conversion of the principal (excluding Interest Accrued) from 47,058,823 to 400,000,000. Therefore, in considering if the Proposed Transaction is “fair” to the Non-Associated shareholders, we have assessed the value of the consideration provided by the Noteholder (being the Notes and Interest Accrued to be converted at 4.25 cents) and compared this with the consideration received by the Noteholder (being the Notes and Interest Accrued to be converted at 0.5 cents).

We have assessed the value of the consideration provided by the Noteholder to be in the range of $346,084 to $369,156 (midpoint $357,620). We have assessed the value of the consideration received by the Noteholder to be in the range of $3,824,225 to $4,079,173 (midpoint $3,951,699).

In our opinion, the value of the consideration provided by the Noteholder if the Notes and Interest Accrued are converted at 4.25 cents per share is less than the value of consideration received by the Noteholder if the Notes and Interest Accrued are converted at 0.5 cents per share. Therefore, we conclude that the Proposed Transaction is “not fair” to the Non-Associated Shareholders.

If the Notes are not converted and instead are redeemed as cash, the value of BPG shares would remain unchanged whether or not the Proposed Transaction is approved. The Proposed Transaction will only have an impact on the value of BPG shares if the Notes and Interest Accrued are converted as the conversion price under the Proposed Transaction will reduce and as a result increase the number of shares issued.

Reasonableness

Set out below are the matters considered by us in assessing the reasonableness of the Proposed Transaction:

Advantages of Approving the Proposed Transaction

Set out below is a summary of the key advantages to the Non-Associated Shareholders:

Removal of Significant Debt from the Balance Sheet

Based on our assessed value of BPG shares in the range of 0.625 cents to 0.667 cents per share, we believe that the Noteholder is less likely to consider converting the Notes if the Proposed Transaction is not approved. If the Noteholder decided not to convert the Notes, the Company will have the obligation to repay the Noteholder the face value of the Notes plus any accrued interest by no later than 31 December 2009.

As a result, we believe that the approval of the Proposed Transaction will provide greater incentive for the Noteholder to convert the Notes which will result in the removal of the convertible note debt from BPG's balance sheet. This will also result in an improvement in the net tangible asset position of the Company.

Greater Certainty in the Level of Shareholder Dilution

We believe that there will be greater certainty in the level of dilution if the Proposed Transaction is approved as the conversion price is fixed at 0.5 cents. As noted above, we believe that it is more likely that the Noteholder will convert the shares at 0.5 cents if the Proposed Transaction is approved. Therefore, shareholders will be provided with certainty around the level at which their shares will be diluted.

If the Proposed Transaction is not approved, we believe that it is more likely that the Noteholder will decide not to convert the Notes into shares. In this instance, BPG will need to raise the $2 million face value of the Notes plus any accrued interest to make the repayment. Recent capital raisings completed by BPG have been at 0.5 cents, with the latest raising of $105,000 being on 30 September 2009. The proposed reduction in the conversion price from 4.25 cents to 0.5 cents is in line with recent converting loans and capital raisings which have been completed at 0.5 cents. As a result, if future capital raisings are completed at a similar price, there would be a similar level of shareholder dilution.

Based on observed transactions, it is possible the discount to the share price for capital raisings increases with the size of the capital raisings compared to the company's pre announcement market capitalisation. As a result, there is a possibility that in order to raise the $2 million face value of the Notes plus any accrued interest, BPG would need to raise capital with a lower conversion price than that of previous capital raisings of 0.5 cents. If this is to occur, this would result in a greater level of shareholder dilution than if the Proposed Transaction is approved and the Notes are converted into shares at 0.5 cents.

Disadvantages of Approving the Proposed Transaction

Set out below is a summary of the key disadvantages to the Non-Associated Shareholders:

Dilution of Shares

Approving the Proposed Transaction will not have a direct dilutionary effect on the current issued capital of BPG. However, if the Notes are converted, BPG will issue a minimum of 470,673,827 new shares to the Noteholder which will result in the interests of other shareholders being diluted by 62.9% assuming all other existing converting loans are converted into BPG shares.

Addition of New Shareholder with Control

If the Proposed Transaction is approved and the Notes and Interest Accrued are converted into ordinary shares in BPG, Ms Lau's Associated Entities will hold 43.0% of the issued ordinary shares in BPG on a fully diluted basis assuming all other existing converting loans are converted into BPG shares. This will result in Ms Lau's Associated Entities effectively having control over BPG.

Implications for BPG Shareholders of Rejecting the Proposed Transaction

Going Concern

If the Proposed Transaction is not approved we believe there is a greater likelihood that the Noteholder will redeem the Notes. In this instance, based on BPG's current financial position, the Company does not have the cash on hand to repay the Noteholder. The Company therefore will need to seek out alternative sources of funding or capital injections in order to redeem the Notes. Alternatively, the Company will need to negotiate an extension of the maturity date of the Notes with the Noteholder. If the Company is unable to secure capital funding to repay the Noteholder, or is unable to extend the maturity date of the Notes, then this may increase the likelihood of a winding-up of the Company.

We note that if the Proposed Transaction is approved, BPG will continue to be in a net current liability position and as such there will continue to be uncertainty around its ability to continue on as a going concern.

Conclusion on Reasonableness

Based on the above, we have concluded that the Proposed Transaction is “reasonable”, having weighted the advantages versus the disadvantages of approving or not approving the Proposed Transaction.

Non-Associated Shareholders Circumstances

PKFCA has not considered the effect of the Proposed Transaction on the particular circumstances of individual Non-Associated Shareholders. Some individual Non-Associated Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individuals may reach different conclusions as to whether or not the Proposed Transaction is in their individual best interests. The decision of an individual Non-Associated Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances (including their taxation position) and accordingly, Non-Associated Shareholders are advised to seek their own independent advice.

Other Matters

This report has been requested by the Directors to assist the Non-Associated Shareholders in their decision to accept or reject the Proposed Transaction.

This report should not be used for any other purpose and PKFCA does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

PKFCA acknowledges that this IER may be lodged by the Directors with the ASX.

Reliance on Information

This IER is based upon financial and other information provided by the Directors. PKFCA has considered and relied upon this information. PKFCA believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is “fair and reasonable”. PKFCA’s procedures involved an analysis of financial information and accounting records. This did not include verification work, nor did it constitute an audit or review in accordance with Australian Auditing and Assurance Standards. Further, PKFCA does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is “fair and reasonable” is in the nature of an overall opinion rather than an audit or detailed investigation and it in is this context that PKFCA advises that it is not in a position nor is it practical for PKFCA to undertake such an extensive verification exercise.

It is understood that the accounting information provided to PKFCA was prepared in accordance with generally accepted accounting principles and, except where noted (including adoption of Australian Equivalents to International Financial Reporting Standards **(“AIFRS”)**), prepared in a manner consistent with the method of accounting used by BPG in previous accounting periods.

Under the terms of PKFCA’s engagement, BPG has agreed to indemnify the partners, directors and staff (as appropriate) of PKFCA and PKF East Coast Practice and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by the Directors which is false and misleading or omits any material particulars, or arising from failure to supply relevant information.

This summary should be read in conjunction with this IER that sets out in full the purpose, scope, basis of evaluation, limitations, valuation analysis and our other findings.

PKFCA holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached in Appendix 4.

Yours faithfully

Brett Plant
Director

TABLE OF CONTENTS

1 OVERVIEW OF THE PROPOSED TRANSACTION

1.1 Introduction and Background

1.1.1 Issue of Notes to Hawkswood

On 28 December 2006, BPG announced to the ASX that it had issued Notes to Hawkswood on the following terms:

Table 1: Key Terms of the Notes

Issuer	Byte Power Group Limited
Security	BPG shares
Issue Price	4.25 cents per share
Interest Rate	11% per annum calculated on a daily basis payable bi-annually plus penalty interest of 5% per annum calculated on daily basis payable bi-annually if interest is not paid on the due date
Term	24 months expiring 27 December 2008
Issue size	$2,000,000 Unsecured

Source: BPG ASX Announcement dated 28 December 2006

The proceeds of the Notes were to be used for general working capital and retiring existing debt of BPG.

1.1.2 Extension and Sale of Notes

On 29 December 2008, BPG announced the following to the ASX:

- BPG had reached an agreement with the receivers of Hawkswood to extend the maturity date of the Notes to 31 March 2009; and
- Hawkswood had sold the Notes to the Noteholder.

BPG has since announced to the ASX further extensions of the maturity date of the Notes.

On 3 August 2009, BPG announced to the ASX that it reached an agreement with the Noteholder to extend the maturity date of the Notes to 31 December 2009. All other terms of the Notes remained unchanged.

Interest of $353,369 has been accrued on the Notes from 28 June 2008 to 30 September 2009.

1.2 Key Conditions of the Proposed Transaction

Under the Proposed Transaction, BPG will lower the conversion price of the Notes from 4.25 cents to 0.5 cents per share.

No consideration will be provided by the Noteholder for the reduction in the conversion price.

1.3 Proposed Transaction Outcome

The shareholdings of BPG as at 5 October 2009 if the Proposed Transaction is approved and the Notes and all other converting loans are converted into ordinary BPG Shares are shown in the table below.

Table 2: BPG Shareholdings Upon Approval of the Proposed Transaction and Subsequent Conversion of the Notes and All Other Converting Loans as at 5 October 2009

Shareholder	Pre-Proposed Transaction		Upon Approval of Proposed Transaction and Conversion of Notes but before Conversion of Converting Loans		Upon Approval of Proposed Transaction and Conversion of Notes and Converting Loans	
	Number	**%**	**Number**	**%**	**Number**	**%**
Tech Pacific Australia Pty Limited	38,220,860	8.4%	38,220,860	4.1%	38,220,860	3.2%
Mr Tze-Fai Yuen	23,959,021	5.3%	23,959,021	2.6%	73,959,021	6.2%
Apel Pacific Group Pty Ltd	22,727,273	5.0%	22,727,273	2.5%	22,727,273	1.9%
UOB Kay Hian Private Limited	20,583,641	4.5%	20,583,641	2.2%	20,583,641	1.7%
Ethel Lau (Ethel Lau Superannuation Fund)	18,166,156	4.0%	488,839,983	52.8%	488,839,983	41.1%
Mr Boon Kheng Ong	17,000,000	3.7%	17,000,000	1.8%	60,200,000	5.1%
Asia Pacific Links (BVI) Pty Ltd	15,151,515	3.3%	15,151,515	1.6%	15,151,515	1.3%
Logistic Web Services Limited	13,369,670	2.9%	13,369,670	1.4%	13,369,670	1.1%
Mr Chris Carr and Mrs Betsy Carr	12,000,000	2.6%	12,000,000	1.3%	12,000,000	1.0%
Opes Prime Group Limited	11,201,165	2.5%	11,201,165	1.2%	11,201,165	0.9%
Other shareholders	262,288,810	57.7%	262,288,810	28.3%	433,792,410	36.5%
Total shares	**454,668,111**	**100.0%**	**925,341,938**	**100.0%**	**1,190,045,538**	**100.0%**
Ethel Lau and Associated Entities	**40,893,429**	**9.0%**	**511,567,256**	**55.3%**	**511,567,256**	**43.0%**

Source: PKFCA

Notes: Pre-Proposed Transaction shareholdings are before any conversion of converting loans

Ms Ethel Lau is trustee for the Ethel Lau Superannuation Fund and also has a relevant interest in 100% of the issued capital of Apel Pacific Group Pty Limited. If the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents per share, Ms Lau's Associated Entities will hold 55.3% of total shareholdings in BPG assuming all other existing converting loans have not been converted. If the existing converting loans are subsequently converted to shares, Ms Lau's Associated Entities' shareholding in BPG will be diluted to 43.0%.

2 SCOPE AND LIMITATIONS OF THE REPORT

2.1 Regulations

Corporations Act

The Proposed Transaction is subject to Section 611 of the Corporations Act 2001 **("the Act")** and Chapter 2E of the Act.

Section 606 of the Act **("Section 606")** does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company without making a takeover offer.

Section 611 of the Act **("Section 611")** provides an exemption to Section 606 if the Proposed Transaction is approved by a resolution of the shareholders at a general meeting called for that purpose.

Chapter 2E of the Act prohibits a public company from giving a financial benefit to a related party unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in a general meeting. Ms Lau's Associated Entities are considered a related party of BPG and approval of the Proposed Transaction is therefore required by shareholders at a general meeting.

The Listing Rules

The Proposed Transaction is subject to Chapter 10 of the Australian Stock Exchange Listing Rules **("the ASX Listing Rules")**.

Approval is being sought from the shareholders under ASX Listing Rule 10.11 as Ms Lau's Associated Entities are considered a related party of BPG.

2.2 Purpose and Scope

Purpose

PKFCA has been appointed by the directors of BPG to prepare an IER expressing our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders of BPG. The Non-Associated Shareholders are those shareholders in BPG whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction.

This IER is to accompany the explanatory memorandum required to be provided to the shareholders and has been prepared to assist the directors in fulfilling their obligation to provide shareholders with full and proper disclosure to enable them to assess the merit of the Proposed Transaction and to decide whether to agree by resolution to the Proposed Transaction.

This IER should not be used for any other purpose and PKFCA does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without the written consent of PKFCA, as to the form and context in which it may appear.

Scope

Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates or the company, which is material to the proposal.

Whilst, Section 611, Chapter 2E and Listing Rule 10.13 regarding requirements for the notice of meeting under Listing Rule 11.11 does not explicitly state that an expert opinion is required in relation to such acquisitions the Australian Securities and Investments Commission **("ASIC")** Regulatory Guide 111 "*Content of Expert Reports*" **("RG 111")** specifies that a company may commission an expert report to supply all the material information to the shareholders or a director's report to the same standard as an expert report if it has the expertise to do so.

This obligation may be satisfied by commissioning an independent expert's report on whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders.

For the purposes of assisting the Directors to satisfy the requirements of Section 611, the Directors requested PKFCA to prepare this IER expressing our opinion as to whether the Proposed Transaction is "fair and reasonable". Our procedures have been limited to those procedures we believed were required in order to form our opinion. Our procedures, in the preparation of this IER, did not include verification work nor did constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board or its predecessors.

The assessment of whether the Proposed Transaction is "fair and reasonable" involved determining the "fair market value" of BPG shares.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable value, and we normally express our opinion as falling within a likely range.

We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is "fair and reasonable" to them.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, shareholders should seek independent advice.

2.3 Basis of Assessment

The Act and the ASX Listing Rules do not define the expression "fair and reasonable". However, guidance is provided by ASIC's Regulatory Guides **("RG")** which establish certain guidelines in respect of independent expert's reports required under the Act. In particular, RG 111 *"Content of Expert Reports"* and RG 112 *"Independence of Experts"* have been considered.

RG 111 provides that, with regard to a transaction subject to Section 611 of the Act, the assessment of whether a transaction is "fair and reasonable" should:

- be judged in all circumstances of the Proposed Transaction;
- compare the value of the shares to be acquired under the Proposed Transaction and the value of the consideration to be paid. However, this is only one element of the assessment;
- compare the likely advantages and disadvantages for the Non-Associated Shareholders if the Proposed Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not; and
- consider whether a premium for control is applicable.

Under RG 111, ASIC draws a distinction between "fair and reasonable". An offer is "fair" if the consideration is equal to or greater than the value of the securities subject to the offer. The reasonableness of the proposal includes the consideration of factors other than price. It is possible that the offer is "not fair", but may still be "reasonable", if there are other factors that cause acceptance of the offer to be in the best interests of shareholders.

In considering transactions to be approved under Section 611 less weight is given to the fairness criteria than for transactions requiring approval under Section 640. Given that the Non-Associated Shareholders are not receiving the offer but are being asked to approve the transaction, it is "reasonable" that they would only give their approval if, on balance, there were more advantages than disadvantages to them in approving versus rejecting the proposal (that is, on balance the Non-Associated Shareholders would be better off if the transaction is approved). In such circumstances the consideration under the proposal is only relevant to the Non-Associated Shareholders to the extent that it affects the company and the value of their shareholding.

In our opinion, the Proposed Transaction will be "fair and reasonable", if:

- the value of the consideration to be paid by the Noteholder under the Proposed Transaction is equal to or exceeds the value of the shares to be acquired by the Noteholder;
- on balance, the advantages of approving the Proposed Transaction outweigh the disadvantages to the Non-Associated Shareholders;
- the disadvantages of rejecting the Proposed Transaction outweigh the advantages to the Non-Associated Shareholders; and
- if applicable, an appropriate premium for control is reflected in the consideration under the Proposed Transaction.

The Proposed Transaction is to be judged in terms of its overall effect of the Proposed Transaction. It is not meaningful to assess the individual elements of the Proposed Transaction separately.

2.4 Reliance on Information

This IER is based upon financial and other information provided by BPG. PKFCA has considered and relied upon this information. PKFCA believes the information provided to be reliable, complete and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is "fair and reasonable".

PKFCA does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is "fair and reasonable" is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to PKFCA was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used by BPG, in previous accounting periods.

Where PKFCA has relied on the views and judgement of management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation. In the context of this IER, the views not capable of direct external verification or validation related principally to matters such as the likely future actions of management and/or the likely future behaviour of competitors.

2.5 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in any valuation opinions becoming quickly outdated and in need of revision. PKFCA reserves the right to revise any valuation, or other opinion, in the light of material information existing at the date of this IER that subsequently becomes known to PKFCA.

2.6 Sources of Information

Appendix 1 to this IER sets out details of information referred to and relied upon by PKFCA during the course of preparing this IER and forming our opinion.

BPG has agreed to indemnify PKFCA, and its owner practice, PKF Chartered Accountants, and their partners, directors, employees, officers and agents (as applicable) against any claim arising out of misstatements or omissions in any material supplied by the Company, its subsidiaries, directors or employees, on which PKFCA has relied.

2.7 Assumptions

In forming our opinion, we have assumed the following:

- all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Proposed Transaction provided to the BPG shareholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects;
- if the Proposed Transaction is accepted, it will be implemented accordingly; and
- the legal mechanisms to implement the Proposed Transaction are correct and effective.

3 BUSINESS ENVIRONMENT

BPG operates in both Australia and China. Accordingly, in arriving at our valuation opinion, we have considered the outlook for the Australian and Chinese economies and the relevant industry affecting BPG's operations.

Our analysis has been limited to a "desktop review" of publicly available economic information.

3.1 Economic Analysis

Australian Economic Outlook

Economists are forecasting Gross Domestic Product **("GDP")** to grow by approximately 0.5% in 2010. An improving global economy is likely to allow the Australian economy to remain flat in 2009. However, a recovery is expected in 2011 with GDP growth of approximately 3.1%.

Unemployment is forecast to increase to approximately 8% by mid 2010 due to strong workforce participation rates. A larger than expected rise in unemployment remains the key risk to the Australian economy over the outlook period.

At its October 2009 board meeting, the Reserve Bank of Australia decided to raise interest rates by 25 basis points to 3.25%.

As at the 30 September 2009, the Australian dollar was trading at US$0.8823. Expectations are for the value of the Australian dollar to rise against other major currencies over time as the economy stabilises.

Chinese Economic Outlook

China's economy grew by 8.0% in FY2009, largely attributable to government investment. Government investment included a $4 trillion yuan (AUD 682 billion) stimulus package announced in November 2008 to boost domestic demand and economic growth. The growth rate of the Chinese economy is expected to reach 8.3% in FY2010 and 8.8% in FY2011.

China has accounted for approximately a quarter of additional global output in recent years, consuming iron ore, oil and other raw materials. Long term infrastructure projects across China have continued demand for commodities from Australia. However, import of commodities into China is expected to slow in the second half of 2009.

3.2 Industry Review

In order to assess the value of BPG and the merits of the Proposed Transaction, we have considered current and expected conditions in the following industries in which BPG operates:

- computer consultancy services industry (Australia);
- information and communications technology **("ICT")** industry (Australia); and
- ICT industry (China).

Our analysis has been limited to a "desktop review" of available industry information. Our review does not represent a complete industry synopsis but represents part of the research and analysis work performed for the purposes of this IER only. Set out below is a summary of our review of the above.

Computer Consultancy Services Industry (Australia)

The Australian computer consultancy services industry generally includes the following activities:

- hardware and software consultancy;
- systems analysis; and
- design and programming.

Approximately 75.5% of industry revenue is derived from the provision of customised computer services to clients, 12.4% from the use or slight adaptation of packaged software to suit clients' special needs under licensing agreements, 4.5% from hardware sales associated with services provided, 3% from communication services and the remaining 4.6% comprises interest and other operating and non-operating income.

The industry has benefited in recent years from the need to upgrade existing systems, as well as the commencement of new projects in the areas of education and training, transport, health and medical service providers. The industry is forecast to remain in a growth phase with forecast annualised revenue growth of 4.9% per annum from FY2009 to FY2014.

Key demand factors within the computer consultancy services industry in Australia are as follows:

- *customised software demand and upgrades:* this industry is sensitive to the development of information technology products – both hardware and software and the need to establish and upgrade customised software.
- *outsourcing: s*ignificant changes in industry demand are ongoing as many organisations and governments shift towards using contractors or companies to outsource their IT services.
- *technological rate of progress:* as computer technology continues to improve at a rapid pace, the ability for users of that technology to maintain a working knowledge and understanding along with an ability to properly utilise their available assets leads to increased demand for systems designers with specialist skills.
- *business profits/confidence:* the industry is significantly affected by the proliferation of computing technology, which industry is more inclined to invest heavily in when revenues are high and profit forecasts are optimistic. Specifically, the industry relies on the banking, finance and insurance industries which are subject to fluctuations in real per capita income and GDP growth.

The key success factors for businesses in this industry include:

- attracting highly skilled staff;
- demonstrating strong management and marketing skills to win new contracts;
- improving and developing new products; and
- sufficient statement of financial position and working capital to manage cash flows and complete projects.

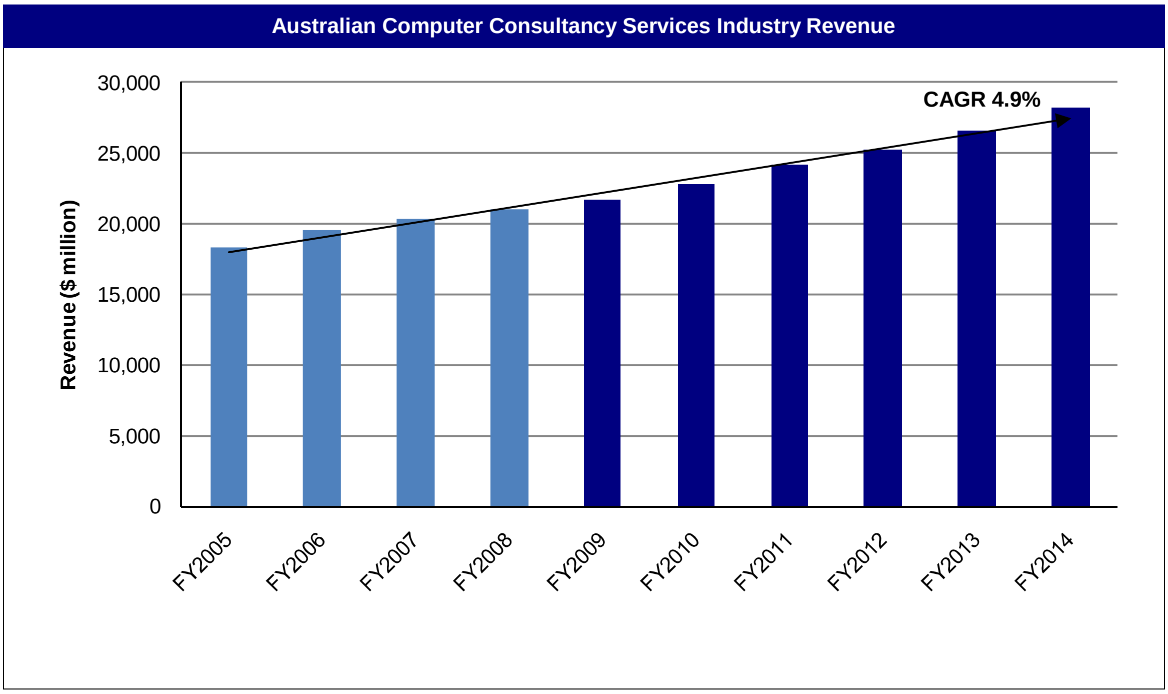
Within the overall market for computer consultancy services in Australia, competition is high and at the same time it is increasing. Competition is largely defined by price as there is significant competition for IT projects and outsourced contracts. It is important for market participants to offer clients a solutions based service at a value price, or a cost saving, or to be able to significantly increase productivity and access new sources of revenue.

Software developers must constantly innovate to remain competitive as most software tends to have a relatively short life cycle relative to most other goods. As a result, there is a requirement for an on-going commitment by operators to invest in staff training to maintain a relevant skills base as well as research and development to develop enhanced and new products. Both copyright and intellectual property rights relating to the development of customised software products remains a key competitive strength for individual firms.

Competition is expected to grow amongst smaller operators who tend to compete on price or service a niche market, rather than the larger players who are well established and competition amongst them is likely to remain reasonably static.

The total Australian market size for computer consultancy services is forecasted to rise from $21.7 billion in revenue in FY2009 to $28.3 billion in FY2014. The graph below shows the estimated actual and forecast industry revenue from FY2009 to FY2014.

Figure 1: Australian Computer Consultancy Services Industry Revenue



Source: IBISWorld

After a period of reduced IT expenditures, industry revenue growth is expected due to the necessity for systems and applications upgrade which were deferred over the past few years. However, the increasing transfer of jobs to highly skilled but low labour cost countries, such as India, may limit industry revenue growth.

Information and Communications Technology Industry (Australia)

The ICT industry in Australia consists of companies engaged in the following activities:

- computer, communication and electronic equipment manufacturing;
- computer and telecommunication goods wholesaling;
- electrical and electronic goods wholesaling;
- software publishing;
- telecommunications network operation;
- other telecommunications services;
- internet service providers and web search portals;
- data processing and web hosting services;
- electronic information storage services;
- computer system design and related services; and
- electronic and precision equipment repair and maintenance.

In FY2007, Australia's ICT industry is estimated to have had $123 billion in revenues and employed less than 300,000 people across 30,313 businesses, according to a report released by the ABS in October 2008. These businesses spent $113 billion in operating expenses and $9.6 billion on capital expenditure. This resulted in an operating profit before tax for the ICT industry of $10.3 billion.

Although the previous survey could not be directly compared with the FY2006 figures because of a range of survey changes, the total ICT industry figures for the last survey in FY2005 were $103.3 billion in revenues and 274,132 employees. The operating profit before tax was $9.4 billion, while operating expenses were $94.4 billion and capital expenditure of $7.5 billion.

Information and Communications Technology Industry (China)

The ICT industry in China is forecast to achieve revenue of US $127.6 billion by 2013. China's IT industry is expected to grow by 20.0% per annum in 2009.

Key drivers of growth include an expansion into rural markets, growing demand from government and the telecommunication industry. ICT spending will receive a boost from government stimulus packages and heavy investment in the IT projects associated with the Shanghai World Expo in 2010.

The Chinese government's recent regulatory reforms indicate that the implementation of information technology among small to medium enterprises **("SME")** will be a priority over coming years. The Ministry of Industry and Information Technology in China proposes to inject more capital to promote informatisation in the SME sector. Another key government program is the 'home electronics to countryside' program which aims to increase computer usage in rural areas and support China's domestic electronics industry.

The government has selected the autonomous municipal region of Chongqing to be the Western region's natural IT hub, due partly to its current large scale chip production.

3.3 Conclusion

As at the date of this IER, economic and industry conditions will most likely result in reduced IT expenditure in the short term as IT projects are deferred but demand for IT services and equipment is expected to grow in the medium term.

4 COMPANY PROFILE

4.1 Company Background

BPG is a diversified technology solutions group with an emphasis on securing business opportunities in the Asia Pacific region. The Company is also a specialist provider of information technology and telecommunication **("IT&T")** solutions to organisations in the SME, corporate and government sectors throughout Australia and China.

In China, BPG is implementing a city-wide e-Kiosk solution in Chongqing City. This provides the general population of Chongqing City access to a range of "on" and "off-line" services.

BPG also provides specialist network solutions with the design, distribution and maintenance of uninterruptible power supplies **("UPS")** and the design and manufacture of the Mediator range of network, physical and environmental monitoring and management equipment.

BPG's principal activities in FY2009 were the:

- service and sale of IT&T equipment and software;
- importation, customisation, sales and support of software solutions;
- provision of IT consultancy and services;
- manufacture, assembly, import, export, service and sale of power management equipment and software;
- service and sales of UPS equipment; and
- development and implementation of e-Kiosk solutions in Chongqing.

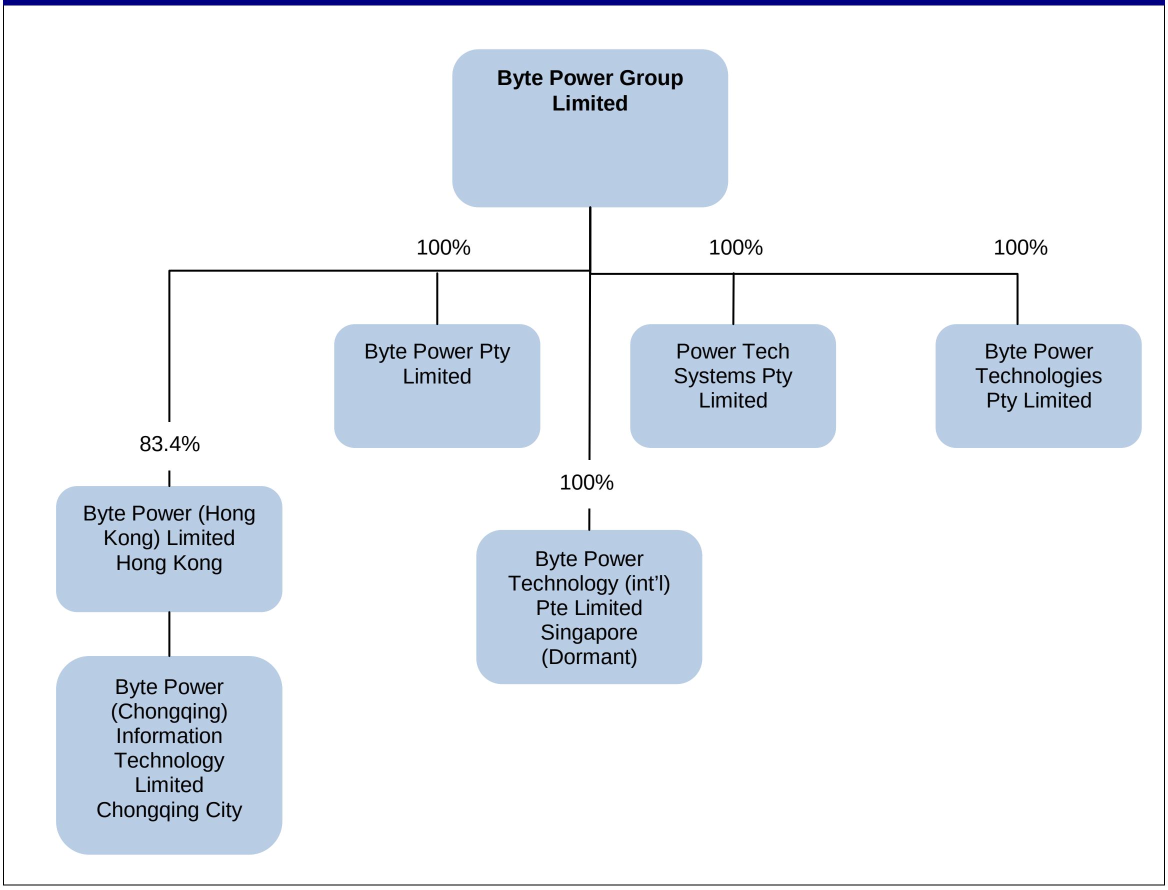
The group employed 14 employees as at 30 September 2009.

4.2 Group Structure

Set out below is the group structure of BPG. BPG has 100% ownership of all entities in the graph, with the exception of Byte Power (Hong Kong) Limited (83.4% ownership).

Figure 2: Group Structure

BPG – Group Structure



Source: BPG

The principal activities of companies within the group are set out below.

Byte Power Pty Limited - Enterprise Solutions and IT Procurement

Byte Power Pty Limited **("Byte Power")** delivers IT products and services to SME's and corporate and government clients. In 2008, Byte Power expanded into IT consultancy and has successfully offered a range of professional services. Its primary focus to date has been on the strategic review of opportunities with additional consultancies on internal IT policy and procedure reviews, IT hardware and software.

Power Tech Systems Pty Limited - Enterprise Solutions and IT Procurement

Power Tech Systems Pty Limited **("Power Tech Systems")** is a designer, importer and supplier of state of the art power management technology including UPS devices. Power Tech Systems provides lifetime support for its range of products and offers 24 hours a day 7 days a week onsite support and maintenance services Australia wide.

Byte Power Technologies Pty Limited – Infrastructure Management

Byte Power Technologies Pty Limited designs and manufactures a range of monitoring solutions, marketed under the name, Mediator. Mediators are designed to network enable monitoring and reporting devices so that they can be monitored locally, centrally or as desired.

Overseas Subsidiaries – Technology Projects

BPG has overseas subsidiaries to provide local presence and support within the regional markets. Its subsidiaries include Byte Power (Hong Kong) Limited in Hong Kong and Byte Power (Chongqing) Information Technology Limited in Chongqing China. Through its overseas subsidiaries BPG generates business by leveraging off its existing business relationships with multinational, large corporate and government organisations within each region. The Chongqing subsidiary mainly oversees the e-Kiosks project locally.

4.3 Business Operations

BPG combines three core competencies into an IT solutions focussed organisation, with offices in Australia and China.

Enterprise Solutions

BPG offers Enterprise Resource Planning **("ERP")** software solutions for organisations in property, development and management, construction, trading and distribution, hospitality, and finance industries. BPG offers a 'whole of enterprise' solution that will manage all aspects of the organisation's business from the front to the back office.

Network Solutions

BPG offers a range of UPS products and the Mediator range of remote monitoring systems. BPG also provides maintenance contracts and services across Australia.

e-Kiosk Solutions

BPG has strong project management capabilities and is able to undertake diverse and complex projects with a strong emphasis on technology. Current projects include the e-Kiosk project in Chongqing City.

Chongqing City e-Kiosk Project

The e-Kiosk project is part of the Chinese Government's initiative to provide infrastructure and internet facilities to the public to enhance communication capabilities and e-learning facilities. e-Kiosks provide a unique service to the people of Chongqing City giving immediate access to breaking news. The on-line news service will be complemented by sales of newspapers and magazines through the e-Kiosk.

Byte Power (Chongqing) Information Technology Limited is responsible for the management and maintenance of the Chongqing City e-Kiosk project. Currently, over 30 e-Kiosks have been installed and 135 new sites have been secured. The Chongqing City e-Kiosk agreement with Chongqing Information Industry Bureau allows for the development of up to 3,000 sites across Chongqing City with further plans for the development and implementation of e-Kiosks across different cities in China.

In January 2009, BPG signed an exclusive 5 year agreement with Universal Travel Group Inc to provide TRIPEASY terminals and content for the Chongqing e-Kiosk project. TRIPEASY terminal devices allow customers to book travel arrangements and access entertainment guides in an easy to use and convenient manner using a dedicated public access terminal. TRIPEASY will initially be installed at 13 locations within the Chongqing e-Kiosk network.

4.4 Key Personnel

The qualifications and experience of the Directors and key personnel at BPG is outlined in Table 3 below.

Table 3: Qualifications and Experience

Name	Position	Experience
Alvin Phua	Chairman	Mr Phua was appointed as chief executive officer on 4 December 2002. Mr Phua has key business and government relationships throughout Australia and around the Asian region and has a proven record of success in the IT & T sector through his building of the BPG business since 1989. He serves on the remuneration committee.
Ethel Lau	Company Secretary	Ms Lau was appointed as company secretary in August 2004. Ms Lau is a founding partner of the BPG business in 1989 and brings an extensive background in business both in Australia and Overseas. Her ability to manage a wide range of projects and deep understanding of business practices has enabled the group to develop a number of opportunities both in and out of Australia.
Michael Walsh	Non-Executive Director	Mr Walsh is a qualified civil and mechanical engineer with over 30 years experience in manufacturing, consulting and construction. He has extensive knowledge and experience in international business and marketing in China, Singapore, Malaysia, Hong Kong, Indonesia, Thailand and the United States. Mr Walsh chairs the remuneration committee and is a member of the audit committee.
Raphael Tham Wai Mun	Non-Executive Director	Mr Tham has strong technology industry credentials and is an experienced business strategist. He has held senior positions with a number of successful companies in Asia and his skills and experience include establishing and working with start-up companies, running operations and projects, driving sales and profits and restructuring and streamlining operations. He has worked closely with a number of listed companies as a business and financial advisor.

Source: BPG

4.5 S.W.O.T. Analysis

Outlined below is an analysis of the strengths, weaknesses, opportunities and threats **("SWOT")** of BPG.

Table 4: SWOT Analysis

Strengths	Weaknesses
• Established for 20 years • Strong support from key vendors • Strong business relationships throughout the Asia Pacific region including the Queensland Government, Brisbane City Council, Ipswich City Council and Austrade • Established partnerships with key developers and service providers in China • Access to skilled resources at competitive rates via the China office • Established e-Kiosk business in Chongqing, China • Development of strong team in Chongqing • Asian Pacific distribution infrastructure • Multilingual management team	• Historical financial losses • Negative net assets • Negative cash flow • Lack of working capital • Eroded customer base under hardware market through aggressive price competition • Delays in site approval for Chongqing project • Under resourced sales force • Lack of management resources
Opportunities	**Threats**
• Use the relationship with IBM to develop new accounts in China and Hong Kong • Increase the Company's presence in China through the development of joint projects with existing partners in China • Rationalisation of ITC assets • Focus on digital delivery by retail and franchise groups • Provide centralised IT resources to businesses looking to move away from powerful desktops • Leverage e-Kiosk intellectual property	• Highly competitive market is likely to reduce product margins • Foreign exchange risk for international projects • Distance between head office and China projects • Global financial crisis

Source: PKFCA and BPG

4.6 Income Statement

The audited income statements of BPG for the years ended 30 June 2006, 30 June 2007, 30 June 2008 and 30 June 2009, are presented in the table below. We have been advised that forecasts for BPG are not available.

Table 5: BPG Audited Income Statements

	Year ended			
	30 June 2006 Actual $000	30 June 2007 Actual $000	30 June 2008 Actual $000	30 June 2009 Actual $000
Revenue	**1,821**	**845**	**1,644**	**829**
EBITDA	**(5,491)**	**(1,956)**	**(1,268)**	**(1,179)**
Depreciation & Amortisation	289	30	26	98
EBIT	**(5,780)**	**(1,986)**	**(1,294)**	**(1,277)**
Interest expense/(revenue)	423	438	778	678
Profit before tax	(6,203)	(2,424)	(2,072)	(1,954)
Income tax expense	-	-	-	-
Profit after tax	**(6,203)**	**(2,424)**	**(2,072)**	**(1,954)**
Revenue growth %	*(80.2%)*	*(53.6%)*	*94.6%*	*(49.6%)*
EBIT margin %	*(317.4%)*	*(235.0%)*	*(78.7%)*	*(154.0%)*
EBITDA growth %	*(29.1%)*	*64.4%*	*35.2%*	*7.0%*
EBITDA margin %	*(401.5%)*	*(331.5%)*	*(177.1%)*	*(242.1%)*

Source: BPG

We note the following with respect to the financial performance of BPG over its recent history:

- the Company made losses in each of the years from FY2006 to FY2009.
- sales declined 49.5% from $1.64 million in FY2008 to $0.83 million FY2009. The reduction in sales was due to a reduction in the sale of software and poor financial performance of the IT trading business. Many Australian groups have delayed their spending on BPG's software and IT trading business as a result of the downturn in global economic conditions; and
- sales increased 94.6% from $0.85 million in FY2007 to $1.6 million in FY2008. The increase in revenues in FY2008 was partly a result of the e-Kiosk project in Chongqing City and partly a result of BPG winning 2 major contracts with Lenard's Chicken and Terry White Chemists to supply and deliver large format screens, associated equipment and services nationally. BPG also expanded into new business areas such as IT based consultancy.

4.7 Balance Sheet

The audited balance sheets of BPG as at 30 June 2008 and 30 June 2009 are presented in the table below.

Table 6: BPG Audited Balance Sheets

	As at	
	30 June 2008 $000	**30 Jun 2009 $000**
Current Assets		
Cash and cash equivalents	213	16
Trade and other receivables	124	164
Inventory	237	141
Other	23	34
Total Current Assets	**597**	**355**
Non Current Assets		
Property, plant and equipment	985	922
Other	25	15
Total Non-Current Assets	**1,010**	**937**
TOTAL ASSETS	**1,607**	**1,292**
Current Liabilities		
Trade and other payables	2,425	3,280
Interest bearing liabilities	75	479
Provisions	151	155
Convertible notes	2,000	2,000
Other	15	-
Total Current Liabilities	**4,666**	**5,914**
Non Current Liabilities		
Interest bearing liabilities	2,156	1,994
Long term liabilities	68	68
Total Non-Current Liabilities	**2,224**	**2,062**
TOTAL LIABILITIES	**6,890**	**7,975**
NET ASSETS	**(5,283)**	**(6,683)**
Equity		
Contributed equity	45,735	46,289
Accumulated losses	(51,018)	(52,972)
TOTAL EQUITY	**(5,283)**	**(6,683)**

Source: BPG

The balance sheet of BPG shows a net liability position. The auditor of BPG has noted that for BPG to continue as a going concern it will require:

- the support of creditors;
- obtaining an overdraft facility in the short term to assist the group to be able to pay its debts on a timely basis;
- obtaining additional equity in the form of capital raising or long term debt to enable the group to fund working capital requirements; and
- the generation of future profits by the main underlying business.

In July 2009, BPG announced that it secured converting loans of $150,000 and $707,518 thereby increasing current interest-bearing liabilities from $478,938 (consisting of lease liabilities of $12,938 and converting loans of $466,000) as at 30 June 2009 to $1,336,456 as at 30 September 2009.

On 5 October 2009, BPG announced that it had secured $105,000 through a share placement at 0.5 cents per share.

We have been advised that there has been no other material change in the financial position or prospects on the Company since the accounts to date.

4.8 Capital Structure and Ownership

BPG had 454,668,111 ordinary shares on issue as at 5 October 2009. The top 10 shareholders and total issued fully paid ordinary shares of BPG as at 5 October 2009 are summarised in the table below.

Table 7: Shareholders

Shareholder	Number of fully paid ordinary shares held	Percentage held of issued ordinary capital
Tech Pacific Australia Pty Limited	38,220,860	8.4%
Mr Tze-Fai Yuen	23,959,021	5.3%
Apel Pacific Group Pty Limited	22,727,273	5.0%
UOB Kay Hian Private Limited	20,583,641	4.5%
Ethel Lau	18,166,156	4.0%
Mr Boon Kheng Ong	17,000,000	3.7%
Asia Pacific Links (BVI) Pty Limited	15,151,515	3.3%
Logistic Web Services Limited	13,369,670	2.9%
Mr Chris Carr and Mrs Betsy Carr	12,000,000	2.6%
Opes Prime Group Limited	11,201,165	2.5%
Top 10 Shareholders	192,379,301	42.3%
Other Shareholders	262,288,810	57.7%
Total Shareholders	**454,668,111**	**100.0%**

Source: Link Market Services Limited

The top 10 shareholders hold approximately 42.3% of the total shares on issue in BPG, whilst the remaining shareholders hold parcels which are individually less than 2.5% of the total shares on issue.

4.8.1 Debt Funding

In addition to the $2 million Notes on issue to the Noteholder, BPG had the following debt arrangements as at 30 June 2009.

Table 8: Debt Funding

Lender	Effective date	Interest Rate (%)	Balance ($)	Classification
Current				
Existing shareholder of BPG	13-Apr-10	8.0%	250,000	Converting Loan
Existing shareholder of BPG	22-Apr-10	8.0%	216,000	Converting Loan
Capital Finance	3-Jun-10	9.0%	12,938	Finance Lease - Secured
Total			**478,938**	
Non-Current				
APEL Pacific Group Pty Ltd	31-Dec-10	11.6%	1,919,014	Loan - Unsecured
Napier	31-Jul-11	20.0%	75,000	Loan - Secured
Total			**1,994,014**	

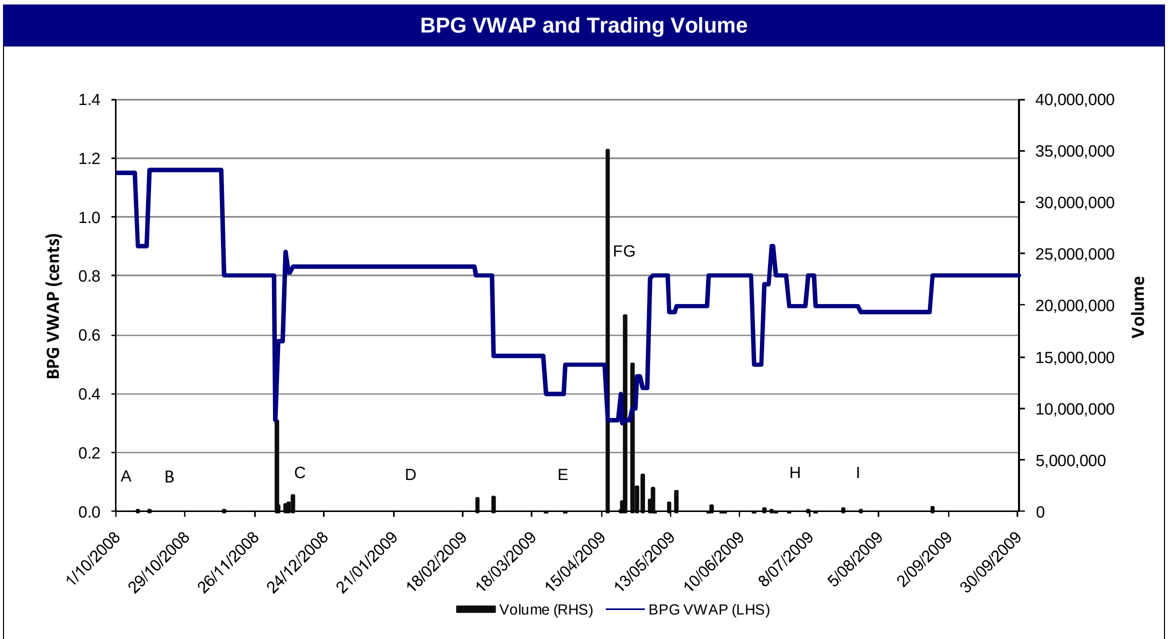
Source: BPG

In July 2009, BPG announced that it secured converting loans of $150,000 and $707,518 thereby increasing current interest-bearing liabilities from $478,938 (consisting of lease liabilities of $12,938 and converting loans of $466,000) as at 30 June 2009 to $1,336,456 as at 30 September 2009. Terms of the converting loans of $150,000 and $707,518 are provided in section 5.2.1.

4.9 Share Price Analysis

Figure 3 sets out the daily volume weighted average price **("VWAP")** and volume traded of BPG shares during the period from 1 October 2008 to 30 September 2009 **("Trading Period")**.

Figure 3: BPG VWAP and Trading Volume



Source: Bloomberg & PKFCA

Notable events disclosed by BPG in company announcements during the Trading Period which may have impacted BPG share price movements and trading volumes are set out as follows:

Table 9: BPG Recent Company Announcements

Date	Chart reference	Announcement details
1 October 2008	A	Release of the BPG annual report for FY2008
22 October 2008	B	Completion of the share placement of 12.5 million shares at 1.2 cents per share
9 December 2008	C	Completion of the share placement of 12.5 million shares at 1.2 cents per share
27 January 2009	D	BPG announces exclusive 5 year agreement with Universal Travel Group to provide TRIPEASY terminals
1 April 2009	E	BPG secures converting loan of $250,000 with a conversion price at 0.5 cents per share
22 April 2009	F	BPG secures converting loan of $216,000 with a conversion price at 0.5 cents per share
24 April 2009	G	ANZ ceases to be a substantial holder in BPG
1 July 2009	H	BPG secures converting loan of $150,000 with a conversion price at 0.5 cents per share
31 July 2009	I	BPG secures converting loan of $707,518 with a conversion price at 0.5 cents per share

Source: ASX Announcements

The table below summarises recent daily trades in BPG shares.

Table 10: BPG Share Trades

	Low (cents)	High (cents)	VWAP (cents)	Average daily volume
As at 30 September 2009	n/a	n/a	n/a	-
1 month to 30 September 2009	n/a	n/a	n/a	-
3 months to 30 September 2009	0.600	0.800	0.751	109
6 months to 30 September 2009	0.300	0.900	0.371	2,359
12 months to 30 September 2009	0.300	1.200	0.392	378

Source: Bloomberg
Notes: n/a signifies that no shares traded during this period

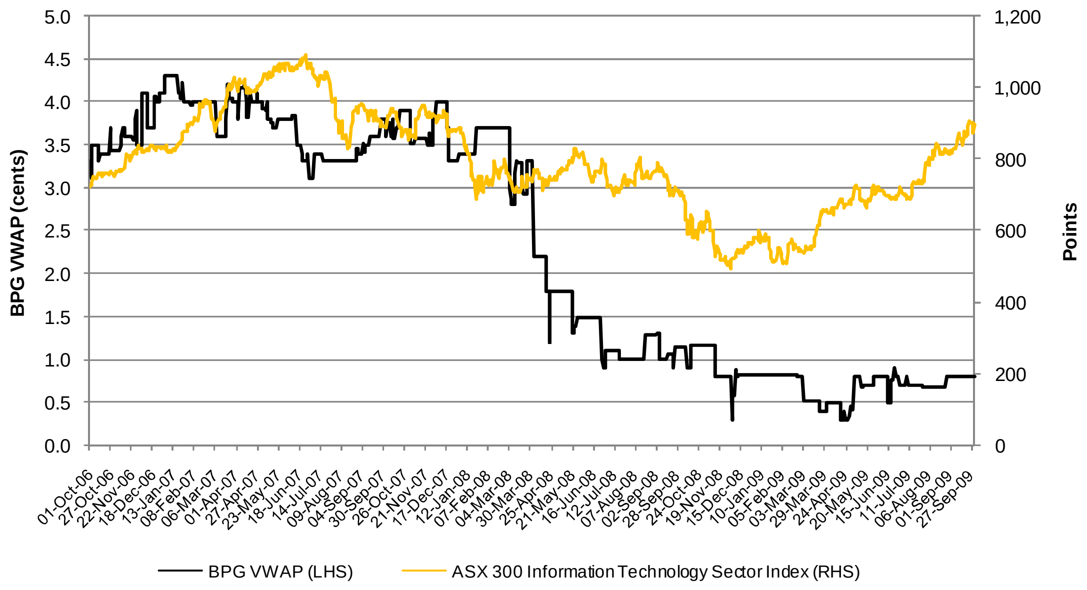
We note the following with respect to the share price of BPG trading in the Trading Period:

- BPG's closing share price on 30 September 2009 was 0.8 cents;
- BPG is highly illiquid, evidenced by an average daily volume of shares traded of 378 in the twelve months to 30 September 2009. Further, BPG shares have not traded between 27 August 2009 and 30 September 2009;
- for the 12 months to 30 September 2009 the share price ranged from a low of 0.3 cents to a high of 1.2 cents; and
- the VWAP for the three months to 30 September 2009 the VWAP was 0.751 cents and the VWAP for the six months to 30 September 2009 was 0.371 cents.

Figure 4 tracks BPG's share price relative to the ASX 300 Information Technology Sector Index.

Figure 4

BPG's Share Price Relative to the ASX 300 Information Technology Sector Index



Source: Bloomberg

Based on Figure 4 above, BPG's share price has underperformed the ASX 300 Information Technology Sector Index.

5 VALUATION OF BPG SHARES

5.1 Valuation Methodology

In assessing the fairness of the Proposed Transaction, we have assessed the value of BPG shares under the following two scenarios:

- if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents per share; and
- if the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents per share.

We have not considered the impact of the Proposed Transaction if the Notes are redeemed and not converted into shares as the amount paid upon redemption of the Notes will be the same whether or not the Proposed Transaction is approved. The Proposed Transaction will only have an impact on the value of BPG shares upon conversion of the Notes and Interest Accrued as the conversion price will determine the number of shares issued. The Proposed Transaction will not impact on the redemption value of the Notes as the conversion price is not a determinant of the redemption value.

The methodology we have applied in our assessment of the value of BPG shares is as follows:

- assess the fair market value per BPG share (section 5.2.5);
- calculate the number of shares and total value of shares to be issued if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents per share (section 5.3);
- calculate the number of shares and total value of shares to be issued if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 0.5 cents per share (section 5.4); and
- assess the appropriateness of a premium for control.

5.2 Share Price Valuation Methodology

Set out in Appendix 2 is a summary of the various methods we have considered in the course of arriving at our valuation conclusion on an ordinary share in BPG. Our assessment of the appropriate valuation methods applicable for the valuation of an ordinary share in BPG are set out below.

In our opinion, BPG is currently a “thinly traded” share and, as such, the share price may not provide a true indication of the value of the Company. Recently, the Company has undertaken a series of capital raisings with existing shareholders and a new investor. In our opinion, these capital raisings provide an appropriate method with which to value BPG.

This method is appropriate for the following reasons:

- BPG historically has not generated earnings. A valuation based on a capitalisation of future maintainable earnings is therefore not appropriate;
- cash flow forecasts are not available, and therefore a valuation based on the discounted cash flow method could not be reliably made; and
- a valuation based on the net realisable assets of the Company is not likely to capture the full value of BPG and its earning potential.

To provide additional evidence of value, we have assessed the reasonableness of the primary valuation using the share market trading method. While we consider that the current shares in BPG are thinly traded, we believe that the share market trading will provide a reasonable cross check for our primary valuation method.

5.2.1 Recent Capital Raisings

Converting Loans

BPG has secured four converting loans in 2009, which are summarised in the table below.

Table 11: BPG Recent Capital Raisings

Date	Term (months)	Interest rate (%)	Loan amount ($)	Conversion price (cents)
1 April 2009	12	8.0%	250,000	0.5
22 April 2009	12	8.0%	216,000	0.5
1 July 2009	3	8.0%	150,000	0.5
31 July 2009	12	n/a	707,518	0.5
VWAP of recent convertible loans				**0.5**

Source: BPG

All converting loans recently secured by BPG have a conversion price of 0.5 cents per share.

Specific details regarding BPG's converting loans are outlined in the paragraphs below.

1 April 2009

On 1 April 2009, BPG announced to the ASX that it had secured a converting loan of $250,000 from an existing shareholder with the following conditions:

- a loan term of 12 months;
- an interest rate of 8.0% per annum; and
- the loan may be repaid at the lender's election by way of share issue at an issue price of 0.5 cents per share on or before the expiry date.

The proceeds of the loan were to be used for general working capital and retiring of existing debt. The conversion price of 0.5 cents per share was equal to the last closing price of 0.5 cents per share quoted on the ASX immediately prior to the date of the announcement.

We consider that the conversion price of 0.5 cents per share provides some indication of the value of BPG shares as the converting loan was issued to an investor who was fully informed of the potential future prospects for BPG.

22 April 2009

On 22 April 2009, BPG announced to the ASX that it had secured a converting loan of $216,000 from an existing shareholder with the following conditions:

- a loan term of 12 months;
- an interest rate of 8.0% per annum; and
- the loan may be repaid at the lender's election by way of share issue at an issue price of 0.5 cents per share on or before the expiry date.

The proceeds of the loan were to be used for general working capital and retiring of existing debt. The conversion price of 0.5 cents per share was represented a premium of approximately 61.2% to the last closing price of 0.31 cents per share quoted on the ASX immediately prior to the date of the announcement.

We consider that the conversion price of 0.5 cents per share provides some indication of the value of BPG shares as the converting loan was issued to an investor who was fully informed of the potential future prospects for BPG.

1 July 2009

On 1 July 2009, BPG announced to the ASX that it had secured a converting loan of $150,000 from an existing shareholder with the following conditions:

- a loan term of 3 months;
- an interest rate of 8.0% per annum; and
- the loan is to be repaid by way of share issue at an issue price of 0.5 cents per share on or before the expiry date.

The proceeds of the loan were to be used for general working capital and retiring of existing debt. The conversion price of 0.5 cents per share represented a discount of approximately 28.6% to the last closing price of 0.7 cents per share quoted on the ASX immediately prior to the date of the announcement.

We consider that the conversion price of 0.5 cents per share provides some indication of the value of BPG shares as the converting loan was issued to an investor who was fully informed of the potential future prospects for BPG.

31 July 2009

On 31 July 2009, BPG announced to the ASX that it had secured a converting loan of $707,518 from a new investor with the following conditions:

- a loan term of 12 months;
- no interest is payable; and
- the loan is to be repaid by way of share issue at an issue price of 0.5 cents per share on or before the expiry date.

The loan is subject to approval by shareholders at an extraordinary general meeting to be held before the end of October. The proceeds of the loan were to be used for general working capital and retiring of existing debt. The pricing of 0.5 cents per share represented a discount of approximately 26.5% to the last closing price of 0.68 cents per share quoted on the ASX immediately prior to the date of the announcement.

We consider that the conversion price of 0.5 cents per share provides some indication of the value of BPG shares as the converting loan was issued to arm’s length investor who is not an existing shareholder and was fully informed of the potential future prospects for BPG.

Share placement

5 October 2009

On 5 October 2009, BPG announced to the ASX that it had secured a share placement of $105,000 to existing shareholders.

The placement was completed through the issue of 21,000,000 shares at 0.5 cents per share. The pricing of 0.5 cents per share represented a discount of approximately 37.5% to the last closing price of 0.8 cents per share quoted on the ASX immediately prior to the date of the announcement.

We consider that the placement at 0.5 cents per share represents an indicator of the value of BPG shares as the placement was issued to an investor who were fully informed of the potential future prospects of BPG.

Conclusion on capital raisings

Based on the above announcements, BPG has completed a number of capital raisings through converting loans and a share placement at 0.5 cents. We note that converting loans are not directly comparable to capital raisings through the issue of BPG shares as converting loans have different rights attached to them. We have therefore placed more emphasis on the capital raising via the share placement in determining our fair market value of BPG shares and less emphasis on the capital raising through converting loans.

5.2.2 Discounts in Capital Raisings

The table below shows recent capital raisings carried out by ASX listed IT companies and the discount to the closing share price implied in the placing price.

Table 12: Recent Capital Raisings by ASX Listed IT Companies

Announce-ment date	Company	Market capitalisation at announcement date ($million)	Capital raised ($million)	Placing price ($)	Closing price before announcement ($)	Discount (%)
7 Sep 2009	Webfirm Group Limited	8.729	3.600	0.060	0.080	25.0%
23 Apr 2009	Seek Limited	910.396	100.100	2.600	2.950	11.9%
23 Oct 2008	Mooter Media Limited	0.643	0.640	0.004	0.005	20.0%
26 May 2008	Praemium Limited	107.308	0.131	0.400	0.440	9.1%
8 May 2008	IINet Limited	270.222	0.500	1.600	2.020	20.8%
Average						**17.3%**
Median						**20.0%**

Source: Bloomberg

Details of the above companies with regard to historical growth rates of revenue and EBITDA, margins, and trends are set out in Appendix 3.

Capital raisings are generally carried out at discounts to a company's share price. In general, the discount at which capital raisings are priced increases the larger the capital raising as a percentage of the pre-announcement market capitalisation. All capital raisings identified above were conducted at a discount to the company's share price. The discounts in the above table averaged 17.3% and ranged from a low of 9.1% to a high of 25%.

Based on Table 12 above, we have assessed the discount on capital raisings applicable to BPG shares to be in the range of 20% to 25%. In determining this discount, we have considered:

- the size of the previous capital raisings of BPG;
- the historical financial performance of BPG;
- BPG's ability to raise capital;
- the financial position of BPG at each of the capital raising dates;
- the liquidity of BPG shares in providing an assessment of the fair market value of BPG shares and therefore the discount to the share price at which the capital raisings were completed;
- the size of the recent capital raisings of the above ASX listed IT companies with regards to the pre-announcement market capitalisation; and
- the historical financial performance of the above ASX listed IT companies.

5.2.3 Valuation Conclusion

PKFCA's assessed value of an ordinary share in BPG is summarised as follows.

Table 13: PKFCA's Value of an Ordinary Share in BPG

	Ref	Low value	High value
Price per share on a capital raising basis (cents)	5.2.1	0.500	0.500
Discounts implied in capital raisings (%)	5.2.2	20%	25%
Fair value per share (cents)		**0.625**	**0.667**

Source: PKFCA

We have assessed the fair market value of BPG shares to be in the range of 0.625 cents to 0.667 cents.

5.2.4 Valuation Cross Check

We have cross checked the value of BPG shares by reference to recent share market trading therein.

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's ordinary shares; and
- the market for the company's shares is active and liquid.

In order to assess the reliability of using the traded market price of BPG's shares as a basis for determining the fair market value of the shares in BPG we have had regard to:

- the liquidity of the stock over the Trading Period;
- the 'spread' of ordinary shareholders and the total number of ordinary shares that they hold in the Company, taking into account any trading or other restrictions applicable to the quoted ordinary shares;
- the level of trading activity of the quoted ordinary shares in the Company (i.e. the volume of trades of the quoted ordinary shares in the market as a percentage of the total quoted ordinary shares, and the frequency of the trades);
- the number and frequency of 'unusual' and/or 'abnormal' trading that takes place in the Company's quoted ordinary shares;
- the presence of any factors that may indicate that trading in the shares is the result of significant speculative trading;
- the impact of market volatility on the Company's share price; and
- the level of knowledge that the 'willing' buyers and sellers have in respect of the Company and the market in which it operates.

We have reviewed the following factors relating to the trading activity in BPG's shares on the ASX:

- the daily high, low and closing share price of trades;
- the daily volume of share trading; and
- the VWAP of shares traded.

The table below summarises recent daily trading in BPG's shares.

Table 14: BPG Share Trades

	Low (cents)	High (cents)	VWAP (cents)	Average daily volume
As at 30 September 2009	n/a	n/a	n/a	-
1 month to 30 September 2009	n/a	n/a	n/a	-
3 months to 30 September 2009	0.600	0.800	0.751	109
6 months to 30 September 2009	0.300	0.900	0.371	2,359
12 months to 30 September 2009	0.300	1.200	0.392	378

Source: Bloomberg

We note the following with respect to the share price of BPG trading in the Trading Period:

- BPG's closing share price on 30 September 2009 was 0.8 cents;
- BPG is highly illiquid, evidenced by an average daily volume of shares traded of 378 in the twelve months to 30 September 2009. Further, BPG has not traded between 27 August 2009 and 30 September 2009;
- for the 12 months to 30 September 2009 the share price ranged from a low of 0.3 cents to a high of 1.2 cents; and
- the VWAP for the three months to 30 September 2009 the VWAP was 0.751 cents and the VWAP for the six months to 30 September 2009 was 0.371 cents.

We note that there are limitations in using the share price to obtain a fair market value for BPG shares due to the low trading volume and the large movements in the share price arising from the low trading volume. Accordingly, we have used the value based on current share prices as a cross check only on the reasonableness of the primary valuation of BPG based on the recent capital raisings and acquisitions by sophisticated investors. Notwithstanding the limitations associated with recent share market trading, the share price trading range over the Trading Period of 0.3 cents to 1.2 cents provides support for the value derived by us under our primary valuation method.

5.2.5 Conclusion on BPG Share Price

We have assessed the fair market value of BPG shares to be in the range of 0.625 cents to 0.667 cents per share.

5.3 Valuation of Consideration Provided by Noteholder

In essence, the Proposed Transaction requires BPG to exchange convertible notes with face value of $2 million convertible into BPG shares at 4.25 cents for convertible notes with face value of $2 million convertible into BPG shares at 0.5 cents.

We have therefore assessed the value of the consideration provided by the Noteholder as the value of the shares to be issued if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents per share.

If the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents per share, BPG will issue a total of 55,373,391 shares. This will provide the Noteholder with 9.8% of BPG on a fully diluted basis assuming all other existing converting loans are converted into BPG shares. We believe that this shareholding does not provide the Noteholder with control of BPG and therefore we have not applied a premium for control in assessing the valuation of the consideration provided by the Noteholder.

A summary of our valuation of the consideration provided by the Noteholder is outlined in the table below.

Table 15: Valuation of Consideration Provided by Noteholder

	Ref	Low value	High value
Face Value of Notes and Interest Accrued		2,353,369	2,353,369
Conversion price if Proposed Transaction approved (cents per share)	1.2	4.25	4.25
Number of shares to be issued if the Notes and Interest Accrued are converted at 4.25 cents		55,373,391	55,373,391
Value per share (cents)	5.2.5	0.625	0.667
PKFCA assessed valuation of consideration provided by Noteholder		**346,084**	**369,156**

Source: PKFCA

We have assessed the fair market value of the consideration provided by the Noteholder if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents to be in the range of $346,084 to $369,156 (midpoint $357,620).

5.4 Valuation of Consideration Received by Noteholder

The conversion of the Notes and Interest Accrued into shares at 0.5 cents per share will result in the issue of an additional 470,672,827 shares to the Noteholder. The assessed value of BPG shares provides a value of the consideration received by the Noteholder in the range of $2,941,711 to $3,137,826 excluding a premium for control.

If the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents per share, Ms Lau's Associated Entities will hold 43.0% of the issued capital in BPG assuming all other existing converting loans are converted into BPG shares. We consider this holding will provide Ms Lau's Associated Entities with control over BPG. When valuing a controlling interest or a shareholding carrying significant influence, an appropriate allowance should be made for a premium for control or significant influence. Empirical evidence on premiums for control indicates that these premiums tend to range between 25% and 40%. Having regard to this and the strategic benefit that a controlling interest in BPG would provide, we have applied a premium for control of 30%.

The following table summarises the value of consideration received by the Noteholder if the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents.

Table 16: Valuation of Consideration Received by Noteholder

	Ref	Low value	High value
Face Value of Notes and Interest Accrued		2,353,369	2,353,369
Conversion price if Proposed Transaction approved (cents per share)	1.2	0.5	0.5
Number of shares to be issued if the Notes and Interest Accrued are converted at 0.5 cents		470,673,827	470,673,827
Value per share (cents)	5.2.5	0.625	0.667
Value of shares to be issued if the Notes and Interest Accrued are converted at 0.5 cents		**2,941,711**	**3,137,826**
Premium for control		30%	30%
PKFCA assessed valuation of consideration received by Noteholder		**3,824,225**	**4,079,173**

Source: PKFCA

The assessed fair market value of the consideration received by the Noteholder if the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents is in the range of $3,824,225 to $4,079,173 (midpoint $3,951,699).

6 EVALUATION

6.1 Fairness

We compared our assessed value of the consideration received by the Noteholder if the Proposed Transaction is approved and the Notes and Interest Accrued are converted at 0.5 cents with the assessed value of the consideration provided by the Noteholder if the Proposed Transaction is not approved and the Notes and Interest Accrued are converted at 4.25 cents. This is set out in the table below.

Table 17: Fairness Assessment

Upon Conversion of Notes and Interest Accrued	Ref	Low value	High value
Value of consideration provided by Noteholder if Proposed Transaction is approved	5.3	346,084	369,156
Value of consideration received by Noteholder if Proposed Transaction is not approved	5.4	3,824,225	4,079,173
Difference		**(3,478,141)**	**(3,710,017)**
Difference (%)		**(91.0%)**	**(91.0%)**

Source: PKFCA

As stipulated in RG 111, the Proposed Transaction is considered to be “fair” if the consideration is equal to or greater than the value of the securities subject to the Proposed Transaction. As the assessed range of consideration provided by the Noteholder is less than the value of the consideration received by the Noteholder, the Proposed Transaction is considered to be “not fair”.

We note that if the Notes are not converted and instead are redeemed for cash, the value of BPG shares would remain unchanged whether or not the Proposed Transaction is approved. The Proposed Transaction will only have an impact on the value of BPG shares if the Notes and Interest Accrued are converted as the conversion price under the Proposed Transaction will reduce and as a result increase the number of shares issued.

6.2 Reasonableness

The Proposed Transaction is considered “reasonable” for the following reasons:

6.2.1 Advantages of Approving the Proposed Transaction

Set out below is a summary of the key advantages to the Non-Associated Shareholders:

Removal of Significant Debt from the Balance Sheet

Based on our assessed value of BPG shares in the range of 0.625 cents to 0.667 cents per share, we believe that the Noteholder is less likely to consider converting the Notes if the Proposed Transaction is not approved. If the Noteholder decided not to convert the Notes, the Company will have the obligation to repay the Noteholder the face value of the Notes plus any accrued interest by no later than 31 December 2009.

As a result, we believe that the approval of the Proposed Transaction will provide greater incentive for the Noteholder to convert the Notes which will result in the removal of the convertible note debt from BPG’s balance sheet. This will also result in an improvement in the net tangible asset position of the Company.

Greater Certainty in the Level of Shareholder Dilution

We believe that there will be greater certainty in the level of dilution if the Proposed Transaction is approved as the conversion price is fixed at 0.5 cents. As noted above, we believe that it is more likely that the Noteholder will convert the shares at 0.5 cents if the Proposed Transaction is approved. Therefore, shareholders will be provided with certainty around the level at which their shares will be diluted.

If the Proposed Transaction is not approved, we believe that it is more likely that the Noteholder will decide not to convert the Notes into shares. In this instance, BPG will need to raise the $2 million face value of the Notes plus any accrued interest to make the repayment. Recent capital raisings completed by BPG have been at 0.5 cents, with the latest raising of $105,000 being on 30 September 2009. The proposed reduction in the conversion price from 4.25 cents to 0.5 cents is in line with recent converting loans and capital raisings which have been completed at 0.5 cents. As a result, if future capital raisings are completed at a similar price, there would be a similar level of shareholder dilution.

Based on observed transactions, it is possible the discount to the share price for capital raisings increases with the size of the capital raisings compared to the company's pre announcement market capitalisation. As a result, there is a possibility that in order to raise the $2 million face value of the Notes plus any accrued interest, BPG would need to raise capital with a lower conversion price than that of previous capital raisings of 0.5 cents. If this is to occur, this would result in a greater level of shareholder dilution than if the Proposed Transaction is approved and the Notes are converted into shares at 0.5 cents.

6.2.2 Disadvantages of Approving the Proposed Transaction

Set out below is a summary of the key disadvantages to the Non-Associated Shareholders:

Dilution of Shares

Approving the Proposed Transaction will not have a direct dilutionary effect on the current issued capital of BPG. However, if the Notes are converted, BPG will issue a minimum of 470,673,827 new shares to the Noteholder which will result in the interests of other shareholders being diluted by 62.9% assuming all other existing converting loans are converted into BPG shares.

Addition of New Shareholder with Control

If the Proposed Transaction is approved and the Notes and Interest Accrued are converted into ordinary shares in BPG, Ms Lau's Associated Entities will hold 43.0% of the issued ordinary shares in BPG on a fully diluted basis assuming all other existing converting loans are converted into BPG shares. This will result in Ms Lau's Associated Entities effectively having control over BPG.

6.3 Implications for BPG Shareholders of Rejecting the Proposed Transaction

Going Concern

If the Proposed Transaction is not approved we believe there is a greater likelihood that the Noteholder will redeem the Notes. In this instance, based on BPG's current financial position, the Company does not have the cash on hand to repay the Noteholder. The Company therefore will need to seek out alternative sources of funding or capital injections in order to redeem the Notes. Alternatively, the Company will need to negotiate an extension of the maturity date of the Notes with the Noteholder. If the Company is unable to secure capital funding to repay the Noteholder, or is unable to extend the maturity date of the Notes, then this may increase the likelihood of a winding-up of the Company.

We note that if the Proposed Transaction is approved, BPG will continue to be in a net current liability position and as such there will continue to be uncertainty around its ability to continue on as a going concern.

6.4 Non-Associated Shareholders Circumstances

PKFCA has not considered the effect of the Proposed Transaction on the particular circumstances of individual Non-Associated Shareholders. Some individual Non-Associated Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individuals may reach different conclusions as to whether or not the Proposed Transaction is in their individual best interests. The decision of an individual Non-Associated Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances (including their taxation position) and accordingly, Non-Associated Shareholders are advised to seek their own independent advice.

6.5 Conclusion

Based on the above, we conclude that the Proposed Transaction is “not fair but reasonable” to the Non-Associated Shareholders.

7 QUALIFICATIONS DECLARATIONS AND CONSENTS

7.1 Qualifications

PKFCA is the licensed corporate advisory arm of the East Coast Partnership of PKF, Chartered Accountants and Business Advisers **("PKF East Coast")**. PKF East Coast provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities.

Mr Brett Plant, BBus, MCom, FCA is a Director of PKFCA. Mr Plant is a partner of PKF East Coast. Mr Plant has been actively involved in the preparation of this IER.

Mr Plant has in excess of fifteen years experience in the Chartered Accountancy profession and has been involved in specialist corporate advisory services including company valuations, business sales, due diligence investigations, independent experts' reports as well as other corporate investigations. Mr Plant has the appropriate experience and professional qualifications to provide the advice offered.

Mr Domenic Quartullo BA, LLB, CA, is a Director of PKFCA. Mr Quartullo is also a partner of PKF East Coast. Mr Quartullo has been involved in the review of this IER.

Mr Quartullo has over 23 years experience in Chartered Accountancy and has had extensive experience in the areas of litigation accounting, preparation and review of business feasibility studies, financial investigations, business valuations and due diligence reviews. Accordingly, Mr Quartullo has the appropriate experience and professional qualifications to provide the advice offered.

7.1.1 Independence

PKFCA have previously prepared an Independent Expert Report dated 24 October 2006 for BPG's proposed acquisition of Banko Intelligence Equipment Pte Ltd **("Banko")**, which did not proceed. Banko is designer and manufacturer of self-service machines, in particular, Electronic Transaction Machines primarily to the banking and financial services, telecommunications and government market segments in China.

PKFCA is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCA will receive a fee of $10,000, plus Goods and Services Tax, which represents the time spent in respect of the preparation of this IER. PKFCA will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

Two (2) drafts of this IER were provided to the independent Directors of BPG and their advisors for review of factual accuracy. Certain changes were made to the report as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions or recommendations made to the Non-Associated Shareholders as a result of issuing the draft IER.

7.1.2 Disclaimer

This IER has been prepared at the request of the Directors of BPG and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors of BPG. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors of BPG without the written consent of PKFCA. PKFCA accepts no responsibility to any person other than the Directors of BPG.

The statements and opinions contained in this IER are given in good faith and are based upon PKFCA's consideration and assessment of information provided by the Directors, executives and management of BPG.

APPENDIX 1: SOURCES OF INFORMATION

In preparing this IER we have had access to and relied upon the following principal sources of information:

- annual reports (including audited financial statements) of BPG for the year ended 30 June 2006, 30 June 2007, 30 June 2008 and 30 June 2009;
- details of BPG's shareholders and share register as at 6 September 2009;
- documents relating to the Notes;
- historical trading volumes and prices of BPG's ordinary shares and options traded on the ASX;
- various ASX announcements;
- publicly available economic research publications.
- publicly available information on comparable companies published by Bloomberg; and
- other publicly available information on BPG.

In addition to the above, PKFCA has had various discussions with the management, officers and advisers of BPG regarding the nature of the BPG businesses, its operations, financial position and prospects.

APPENDIX 2: VALUATION METHODS

In conducting our assessment of the fair market value of the Company, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow **("DCF")** method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value **("NPV")**.

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or

- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

Special Value

Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

Black-Scholes Model

The Black-Scholes model is typically used to price European call or put options, however the model can also be used to price an American option where no dividend is being paid on the underlying shares.

The use of this model requires the input of six principal variables:

- price of the underlying security;
- the exercise price;
- the annualised time to maturity;
- the dividend rate;
- the continuously compounded equivalent of the risk free rate; and
- the security's price volatility (annualised).

APPENDIX 3: COMPARABLE COMPANY INFORMATION

Table 18: Comparable Company Information

Name	Description	FY2008 Revenue	FY2008 EBITDA	FY2008 EBITDA Margin	FY2009 Revenue ($million)	FY2009 EBITDA	FY2009 EBITDA Margin	YOY Revenue Growth (%)	YOY EBITDA Growth (%)
Webfirm Group Limited	Webfirm Group Limited operates as a digital media company in Australia and North America.	12.3	(3.9)	(32.1%)	10.9	(3.4)	(31.2%)	(11.1 %)	(12.8%)
Seek Limited	Seek Limited engages in advertising employment classifieds and related services on the Internet, as well as the provision and distribution of vocational education training courses in Australia, New Zealand, and the United Kingdom.	211.5	109.1	51.6%	209.8	91.4	43.6%	(0.8%)	(16.2%)
Mooter Media Limited	Mooter Media Limited develops and provides Internet advertising solutions in Australia and Asia.	0.7	(4.8)	Nm	0.1	(1.7)	Nm	(85.7%)	(64.6%)
Praemium Limited	Praemium Limited, together with its subsidiaries, provides technology solutions for the administration, reporting, and management of investment assets for various tax structure funds, including self managed superannuation funds in Australia and the United Kingdom.	7.1	(10.0)	(141.0%)	8.8	(10.3)	(116.5%)	(23.9%)	3.0%
IINet Limited	iiNet Limited operates as an Internet services provider in Australia. The company's Internet and telephony services comprise dialup, broadband, and phone. Its dialup plans provide Web space, email addresses, and virus and spam email protection services.	249.9	42.9	17.2%	417.8	61.9	14.8%	67.2%	44.3%

Source: Capital IQ

Notes: Nm is not meaningful

APPENDIX 4: FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to the independent expert's report prepared by PKF Corporate Advisory (East Coast) Pty Limited **("the IER")** in connection with the reduction of the conversion rate of a $2 million convertible note from 4.25 cents per share to 0.5 cents per share **("the Proposed Transaction")** at the request of the Directors of Byte Power Group Limited (**"BPG"**) for inclusion in the explanatory memorandum to be issued by the Directors of BPG in respect of the Proposed Transaction.

PKF Corporate Advisers (East Coast) Pty Limited

PKF Corporate Advisory (East Coast) Pty Limited **("PKFCA")** (ABN 70 050 038 170) has been engaged by the directors of BPG to prepare this IER in relation to the Proposed Transaction, expressing our opinion as to whether the Proposed Transaction is "fair and reasonable" to the shareholders of BPG not associated with the Proposed Transaction.

PKFCA holds an Australian Financial Services Licence - Licence No: 247420.

Financial Services Guide

As a result of our IER being provided to you we are required to issue to you, as a retail client, a Financial Services Guide **("FSG")**. The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General Financial Product Advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Transaction described in the explanatory memorandum may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.Benefits that we may receive

We have charged fees for providing our IER. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the IER. Our fees have been agreed on either a fixed fee or time cost basis.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKFCA or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and Relationships

PKFCA is the licensed corporate advisory arm of PKF East Coast, Chartered Accountants and Business Advisers. The directors of PKFCA may also be partners in PKF East Coast, Chartered Accountants and Business Advisers.

PKF East Coast, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKFCA's contact details are as set out on our letterhead.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisory (East Coast) Pty Limited, Level 6, 10 Eagle Street, Brisbane QLD 4000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service **("FICS")**. FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKFCA is a member of FICS. FICS may be contacted directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291
Email: www.fics@fics.asn.au

15 October 2009

The Directors
Byte Power Group Limited
Level 1, 77 Doggett Street,
Newstead Qld 4006

Dear Directors,

<u>Notice of Nomination of Auditor</u>

I, William Cheng, being a shareholder of Byte Power Group Limited ACN 009 268 571 (the Company), give written notice pursuant to section 328B(1) of the Corporations Act 2001 (Cwlth) (Act) of the nomination of Hacketts DRK for appointment as Auditor of the Company at the forthcoming Annual General Meeting.

Please circulate a copy of this Notice as required under the Act.

Yours faithfully,

William Cheng

BYTE POWER Group Limited

ABN 80 009 268 571

LODGE YOUR VOTE

By mail:
Byte Power Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

All enquiries to:

Telephone: (02) 8280 7454

X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Byte Power Group Limited and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

the **Chairman of the Meeting (mark box)** ☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person (excluding the registered shareholder) you are appointing as your proxy

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 9am (Brisbane Time) on Monday, 30 November 2009, at HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an X

STEP 2 VOTING DIRECTIONS

Resolutions	For	Against	Abstain*
1 Re-election of Raphael Tham as a director			
2 Re-election of Alvin Phua as a director			
3 Remuneration report			
4 Issue of Shares to Tan Ming Da and Tan Hua Hoon			
5 Issue of shares to Boon Kheng Ong			
6 Issue of shares to Liao Jing			
7 Issue of shares to Manna Investment Pte Ltd			
8 Variation of Convertible Note Terms and issue of shares to Lau Superannuation Fund			
9 Appointment of Auditor			
10 Authorise issue of placement shares			
11 Ratification of the issue of shares to Placees			
12 Ratification of the issue of shares to Bambrick Media Pty Ltd			
13 Issue of Shares to Raphael Tham			
14 Issue of Shares to Glenn Ferguson			
15 Issue of Shares to Michael Walsh			
16 Issue of Shares to Alvin Phua			
17 Issue of shares to Asia Pacific Links (BVI) Ltd ACN 136 722 908			
18 Issue of shares to Niche Realty Pty Ltd ACN 055 382 940			
19 Issue of shares to Kiree Limited			

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

STEP 3 IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Items 8 and 16 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Items and that votes cast by him/her for those Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 8 and 16 and your votes will not be counted in calculating the required majority if a poll is called on these Items.
The Chairman of the Meeting intends to vote undirected proxies in favour of Items 8 and 16.

STEP 4 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

BPG PRX902

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual.

Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

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, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the 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.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 9am (Brisbane Time) on Sunday, 28 November 2009, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

by mail:

Byte Power Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

by fax:

+61 2 9287 0309

by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**