

28 OCTOBER 2010

## STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE

### Byte Power Group Limited

#### Supplementary Corporate Governance Statement with respect to the Financial Year ended 30 June 2010

The board of directors of Byte Power Group Limited (“the Company”) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Byte Power Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Byte Power Group Limited’s Corporate Governance Statement is now structured with reference to the Australian Stock Exchange (“ASX”) Corporate Governance Council’s (the “Council”) “Corporate Governance Principles and Recommendations – 2<sup>nd</sup> Edition” (“Corporate Governance Council Recommendations”) which can be found on the ASX’s website.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The following section addresses Byte Power Group Limited’s practices in complying with the Corporate Governance Council Recommendations:

#### Structure of the Board

The Board exists to lead and oversee the management and direction of the Company. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report for the financial year ended 30 June 2010 (“Annual Report”) is included in the Director’s Report of the Annual Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors.

An independent director is a non-executive director and:

- (a) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- (b) within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- (c) within the last three years has not been a principal of a material professional adviser or a material consultant to the company, another group member, or an employee materially associated with the service provided;

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- (d) is not a material supplier or customer of the company or other group, member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has no material contractual relationship with the company or another group member other than as a director of the company;
- (f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;
- (g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

In accordance with the Council's definition of independence above, the following directors are considered to be independent at the date of this report:

Mr Raphael Tham and Mr Michael Walsh are both independent directors.

Mr Alvin Phua is the Chairman and Chief Executive Officer of the Company. Corporate Governance Council Recommendation 2.2 requires the Chairman of the Company to be an independent director. Further, Corporate Governance Council Recommendation 2.3 states that the roles of chairperson and chief executive officer should not be exercised by the same individual.

Byte Power Group Limited does not have a nomination committee as required by Corporate Governance Council Recommendation 2.5. Membership of the Board is reviewed on an on-going basis by the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's business and its objectives.

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. Notwithstanding Corporate Governance Council Recommendation 3.1, Byte Power Group Limited has not established a code of conduct to guide the directors, the Chief Executive Officer and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity;
- 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### **Safeguarding integrity in Financial Reporting, Audit Committees and Risk Management**

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control, ethical standards for the management of the consolidated entity, nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory and half yearly review or audit to the audit committee.

The members of the audit committee were, at the date of the Annual Report, Mr Raphael Tham (non-executive director), Chairman and Mr Michael Walsh (non-executive director).

### Remunerate Fairly and Responsibly

The Board regularly discusses and reviews its performance. The Board also discusses with each director their requirements, performances and aspects of involvement with the Company.

The Board is responsible for determining and reviewing the compensation arrangements for directors themselves, the Chief Executive Officer and the management team. The members of the remuneration committee were at the date of the Annual Report, Mr Michael Walsh (non-executive director), Chairman and Mr Alvin Phua (executive director).

### Departures from Corporate Governance Council Recommendations

Any departures to the Corporate Governance Council Recommendations are set out below:

Corporate Governance Council Recommendation	Departure	Explanation
2.2	The Chairman is not an independent director.	Given the size and scope of the Company's operations, the Board considers that there is no real benefit to be gained by appointing an independent chairman when in fact by his vested interest as a substantial shareholder, he will be a driving force in the future of the Company.
2.3	The roles of Chairman and Chief Executive Officer should not be performed by the same person.	Given the size and scope of the Company's operations, the Board considers that there is no real benefit to be gained by appointing a Chief Executive Officer in addition to the Chairman.
2.4	A separate nomination committee has not been formed.	The role of the nomination committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate nominations committee.
2.5	There has been no formal disclosure of the performance evaluation of the Board, committees, individual directors and key executives. No formal review has been undertaken.	Given the size of the Company and the involvement of all directors, a policy has not been required to date, however, the Board will continually monitor, review and discuss performance and implement changes where necessary.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the Company's integrity or as to reporting and investigating unethical practices.	The Board and management consist of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary as the principles are followed.
3.2	No formal diversity policy has been established	Given the size and scope of the Company's operations, its business interests and the ongoing involvement of all directors it is not considered necessary that such procedures be formalized.

Corporate Governance Council Recommendation	Departure	Explanation
3.3	No formal policy concerning diversity policy has been disclosed.	Although there was no written policy disclosed, there is a clear understanding as to when trading is inappropriate.
4.2	The Audit committee is chaired by an independent director but only has two members	Given the size and scope of the Company's operations, its business interests and the ongoing involvement of the non-executive directors, it is not considered necessary that the audit committee consist of more than two members.
4.3	The Chief Executive Officer and the Chief Financial Officer did not make any written representations to the Board on the Company's financial reports.	Given the size and scope of the Company's operations, its business interests and the ongoing involvement of all directors it is not considered necessary that such procedures be formalized.
5.1	There are no written policies and procedures designed to ensure compliance with the ASX Listing Rules disclosure requirements.	Although there are no written policies in place, the responsibility for compliance with the ASX Listing Rules is handled by the Board and subject to review by the external auditors. The Board considers that the Company meets the requirements.
6.1	The Company has no formal communication strategy in place for the benefit of its shareholders.	The Board is conscious of the need to continually keep shareholders and the market advised. Accordingly, the Board makes timely announcements which ensure that shareholders and the markets are adequately informed about its activities. All announcements are also being posted on our website <a href="http://www.bytepowergroup.com">www.bytepowergroup.com</a> which is accessible by the public
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all directors, it is considered unnecessary to establish this practice at this time; however the principles are adopted in circumstances where an event or issue is deemed to require it.
7.3	The Chief Executive Officer and the Chief Financial Officer did not make any written representations to the Board on in respect of the basis upon which provision of the declaration required to be provide in accordance with s 295A Corporations Act proceeded.	Given the nature and size of the Company, its business interests and the involvement of all directors, whilst no written assurances were provided to the Board by the Chief Executive Officer and the Chief Financial Officer, the close liaison between the Board and the Chief Executive Officer and the Chief Financial Officer in respect of risk management and internal controls generally, give confidence to the Board in respect of reliance upon the declaration required to be provide in accordance with s 295A Corporations Act.
8.1	The remuneration committee is chaired by an independent director but only has two members.	Given the size and scope of the Company's operations, its business interests and the ongoing involvement of the non-executive

Corporate Governance Council Recommendation	Departure	Explanation
		directors, it is not considered necessary that the audit committee consist of more than 2 members.
8.2	The Company has not disclosed remuneration policies for executive and non-executive directors.	<p>Given the size and scope of the Company's operations, its business interests, remuneration and other benefits paid to its directors, the Board does not consider it yet to be necessary to formulate the policies. At the appropriate time, this approach will be re-evaluated.</p> <p>Remuneration for non-executive directors has been, and continues to be, in accordance with the general principles recommended by the ASX, that is, directors receive a fixed fee for their services and do not receive performance-based remuneration. To the extent that such directors perform services that exceed the commitment expected of them, they are eligible to receive additional fees.</p>

Ethel Lau  
Company Secretary  
Byte Power Group Limited