

4<sup>th</sup> January 2019

**STATEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE**

**Byte Power Group Ltd: Response to ASX Query letter**

**Response to ASX Query Letter**

On 21 December 2018 the ASX issued a query letter (**Query Letter**) to Byte Power Group Limited (**BPG**).

In this Query Letter, the ASX asked BPG under ASX Listing Rule 18.7 to respond to a number of questions and requests for information for the purposes of the ASX being satisfied that BPG is in compliance with the ASX Listing Rules.

BPG sets out its response to each of question raised by the ASX in the Query Letter below:

ASX Queries	BPG response
<p><b>Question 1:</b> Please provide an update on BPG's progress towards implementation of a working prototype of the Wimobilize Big Data solution for its first customer, including (but not limited to) what work remains outstanding, how long it is expected to take, how much it is expected to cost and how BPG intends to fund this expenditure.</p>	<p>On 31 December 2016 Byte Power Group Ltd (<b>BPG</b>), through its 83.4% owned subsidiary Byte Power (HK) Ltd (<b>BPHK</b>), sold a Wimobilize Big Data solution to Chinese registered Shanghai Huahu Information technology Co Ltd.</p> <p>BPHK has delivered the working prototype of the Wimobilize Big Data solution. All costs of BPHK relating to the cost of and delivery of the working prototype have been paid. The software principal of this Big Data solution, Wimobilize, has also been paid.</p>
<p><b>Question 2:</b> Please explain and quantify the financial impact on BPG if it is unable to deliver a working prototype of the Wimobilize Big Data solution within the agreed timeframe, including if it is required to refund any amounts already paid by the first customer.</p>	<p>BPHK has completed the delivery of the working prototype of the Wimobilize Big Data solution to Chinese registered Shanghai Huahu Information Technology Co Ltd. There is no risk of a refund to the customer. There is however still an amount owing by this customer to Byte Power (HK) Ltd of AU\$1.158M.</p>

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**Question 3:** Did BPPL receive the settlement proceeds of US\$232,323.67 due from Soar Labs Pte Ltd by the due date of 24 November 2018? If these proceeds have not received, when does BPG expect to receive them?

Terms of a Deed of Variation to the Settlement Agreement dated 24 May 2018 were agreed between BPG, Byte Power Pty Ltd (**BPPL**), Mr Alvin Phua and Soar Labs Pte Ltd on 22 November 2018 (**Deed of Variation**). The Deed of Variation was executed on 31<sup>st</sup> December 2018.

Under Clause 2.1.3 of the Settlement Deed, as amended by the Deed of Variation, instead of the payment of US\$232,323.67, the parties agreed that Soar Labs Pte Ltd will transfer 475,042 Ripple coins to the private wallet of BPPL.

The number of Ripple coins was determined by dividing US\$232,323.67 by the market value of Ripple coins on the day the Ripple coins were transferred, namely US\$0.48938946 for 474,721 Ripple coins on 9 November 2018 and US\$0.41 for 321 Ripple coins on 23 November 2018.

Please refer to the ASX announcement dated 3 January 2019 for further information.

All 475,042 of these Ripple coins have been sold and the proceeds totalling AU\$274,899.97 from the sale of these coins have been received.

Further, Mr Alvin Phua received 710,500 Ripple coins from Soar Labs Pte Ltd in satisfaction of Soar Labs Pte Ltd's payment obligations to Mr Phua under Clause 2.1.3 of the Settlement Deed of US\$347,476.33. All of these Ripple coins have been sold and the proceeds totalling AU\$411,155.84 have been provided by Mr Phua to BPG as an interest free short-term loan.

**Question 4:** Please provide an update on the legal status of BPX tokens and BPG's discussions with ASIC around whether or not BPX Tokens constitute interests in a managed investment scheme.

Further to the ASX Announcement by BPG dated 15 November 2018, having obtained legal advice, BPG are of the firm view that the Byte Power X Loyalty Tokens (**'BPX Tokens'**) issued by Byte Power X Pty Ltd (**'Byte Power X'**), a wholly owned subsidiary of BPG:

- are not interests in a managed investment scheme within the meaning of Chapter 5C and Chapter 7 of the Corporations Act 2001 (Cth) ('the Corporations Act'); and
- are not a financial product within the meaning of subsection 764A(1)(ba) of the Corporations Act.

This position has been communicated to ASIC.

Byte Power X had ceased its voluntary suspension on the offer of the BPX Tokens until it received legal advice. Having now received this advice, BPG has resumed the sale of the BPX Tokens and is currently considering what, if any, steps are to be taken by BPG to address ASIC's concerns about the legal status of the BPX Tokens.

	BPG will keep the market updated.
<p><b>Question 5:</b> Please confirm what tasks remain outstanding for the cryptocurrency exchange to be fully operational and when BPG expects that to occur.</p>	<p>The cryptocurrency exchange was soft launched by Byte Power X on 18 December 2018 to allow for registrations on the cryptocurrency exchange.</p> <p>Trading functionality remains outstanding and will be available once Byte Power X completes trialling the functionality. Byte Power X expects the cryptocurrency exchange to be operational by 13 January 2019.</p> <p>BPG will keep the market updated.</p>
<p><b>Question 6:</b> Please explain how much has BPG spent developing the cryptocurrency exchange to date, what outstanding invoices is BPG yet to pay for this development, how much more does BPG expect to have to pay to finish development of the exchange and how BPG intends to fund this expenditure.</p>	<p>The amount BPG has spent developing the cryptocurrency exchange to date and how much more BPG expects to pay to finish development of the exchange is commercial in confidence and have been provided to the ASX separately.</p> <p>The development costs of the cryptocurrency exchange to date have been paid to Noetic Synergy partly from the proceeds from the settlement with Soar Labs Pte Ltd (including from the sale of Ripple coins) and partly from the sale of BPX Tokens.</p> <p>There is a balance owing only to Noetic Synergy for the exchange development. BPG has negotiated new trading terms and is liable to pay this amount due to Noetic in two final tranches, namely tranche 1 on or before 28 February 2019 and tranche 2 on or before 31 May 2019.</p> <p>This balance owing to Noetic Synergy will be paid for from:</p> <ul style="list-style-type: none"> <li>• the collection from wine debtors;</li> <li>• the collection of the amount owing from the first customer of the Wimobilize Big Data solution to Byte Power (HK) Ltd of AU\$1.158M and future income generated from sales of the Wimobilize Big Data solution;</li> <li>• sale of BPX Tokens;</li> <li>• settlement funds from the third tranche settlement payment due from Soar Labs Pte Ltd on or before 24 May 2019; and</li> <li>• operating income that is expected to be generated from the cryptocurrency exchange.</li> </ul>
<p><b>Question 7:</b> Does BPG expect that it will continue to have negative operating cash flows for the time being and if not, why not?</p>	<p>BPG does not expect to continue to have negative operating cash flows as it expects it will be able to raise funds to meet its operational cash flow needs by generating operating revenues and raising funds through the following:</p>

	<ul style="list-style-type: none"> <li>• <b>The collection of monies owing to Wine Power Pty Ltd (a subsidiary of BPG) by wine debtors</b> – as at 30 June 2018 a total of AU\$3.27M remained outstanding from wine debtors.</li> <li>• <b>Through the collection of monies owed and generation of new revenues from the sale of its Wimobilize Big data solution</b> – there is AU\$1.158M owing from the first customer of the Wimobilize Big data solution. Further there are two Wimobilize Big Data solutions opportunities in the pipeline which will generate revenue if delivered. BPG will keep the market updated as orders are received, and Wimobilize Big Data solutions delivered.</li> <li>• <b>From operating income from the cryptocurrency exchange</b> – due to commissions revenue from the operation of the cryptocurrency exchange</li> <li>• <b>From settlement funds</b> - settlement funds from the third tranche settlement payment due from Soar Labs Pte Ltd (US\$800,000 and 2,000,000 Soar coins) on or before 24 May 2019</li> <li>• <b>From the sale of BPX Tokens</b> – between August 2018 and November 2018 BPG raised more than AU\$565,000 from the sale of BPX Tokens. The Board of BPG believe that demand for these BPX Tokens will remain strong. Previously the Board suspended the sale efforts on the BPX Tokens in November 2018, until it received legal advice. Having now received this advice, BPG has resumed the sale of the BPX Tokens. BPG is currently considering what, if any, steps are to be taken by BPG to address ASIC's concerns about the legal status of the BPX Tokens. BPG will keep the market updated.</li> </ul>
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<p><b>Question 8:</b> Has BPG taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?</p>	<p>The Board expects BPG will generate revenues to fund its operations and working capital needs by the initiatives set out in the response to Question 7 above.</p> <p>The Board will continue to monitor the capital requirements of the business operations and may undertake future capital raising initiatives if required.</p> <p>In the event BPG forms a view it needs to undertake a capital raising initiative, it is likely that the capital raising will be completed under a full prospectus under section 710 of the Corporations Act 2001 (<b>Corporations Act</b>) to allow for the on-sale of securities given BPG is restricted from issuing a cleansing notice under section 708A of the</p>
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	<p>Corporations Act and a short-form prospectus under section 713 of the Corporations Act.</p> <p>Board believes that BPG will be successful in raising funds for all working capital needs as BPG has historically been successful with its capital raising initiatives.</p>
<p><b>Question 9:</b> Please confirm that BPG is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under the rule that has not already been released to the market.</p>	<p>The Board of BPG confirms that BPG is complying with Listing Rule 3.1 and that there is no information that should be given to the ASX about its financial condition that has not already been released to the market.</p> <p>BPG will be releasing its half year results on or before 28 February 2019.</p>
<p><b>Question 10:</b> Please confirm that BPG's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BPG with delegated authority from the board to respond to ASX on disclosure matters.</p>	<p>Yes, these responses have been authorised and approved by its Board in accordance with its published continuous disclosure policy.</p>
<p><b>Question 11:</b> Please provide any other information that BPG considers may be relevant to ASX forming an opinion on whether BPG is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.</p>	<p>The Board of BPG are of the view that financial conditions (including operational results) are adequate to warrant the continued quotation of its securities and its continued listing.</p> <p>The Board of BPG believe BPG will meet its operational cash flow needs by generating operating revenues and raising funds through the initiatives detailed in the response to Question 7.</p>

Michael Wee  
Company Secretary  
Byte Power Group Limited

21 December 2018



**Mr Michael Wee**  
Company Secretary  
Byte Power Group Limited  
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**Byte Power Group Limited (“BPG”): Query Letter**

Dear Mr Wee

ASX Limited (“ASX”) refers to the following:

- A. The Chairman’s report set out on page 1 of BPG’s Annual Report released on ASX’s Market Announcements Platform (“MAP”) on 1 October 2018 (the “Annual Report”), which stated the following.

*“There were no sales of the Wimobilize’s Big Data solution during the period. As a result revenues decreased significantly in the IT&T segment year on year by \$2.4m. (30 June 2017: \$2.4m).*

*For the year ended 30 June 2018, sales revenue generated from the Asian Business Division contributed to 99% of total revenue for the group (30 June 2017: 40.4%). These sales revenues (\$1.15m) represented a decline of 29.6% on the sales revenue for the Asian Business Division for the year ended 30 June 2017 (\$1.6m). This decline was due in part to the continued austerity drive in China, one of our key markets affecting our wine sales. The group is looking at strengthening its distribution network and expanding its focus in other markets in Asia.”*

- B. Page 3 of the Annual Report which states:

*“Due to delays in implementing and releasing a working prototype of the Wimobilize Big Data solution for BPG’s first customer, opportunities for the sale of the solution to potential customers were delayed.”*

- C. The Independent Auditor’s Report from PKF Hacketts Audit (“PKF”) in the Annual Report, which has the following emphasis of matter:

*“Emphasis of Matter*

*Without modifying our opinion, we draw attention to the following matter:*

*As outlined in Note 1, the consolidated group has recorded a net current asset deficiency as at 30 June 2018 of \$1,014,147. This, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.”*

- D. Note 1(a) on page 33 of the Annual Report, which says in part:

*“The consolidated entity has made a loss from continuing operations before tax of \$10,447,585 for the year ended 30 June 2018 (2017: profit of \$697,053). The consolidated entity was in a net current asset deficiency position of \$1,014,147 and net asset deficiency position of \$4,226,783 as at 30 June 2018 (2017: net current asset position of \$19,780,862 and net asset position of \$12,762,442).*

*Given the consolidated entity’s net current liability position, the ability of the consolidated entity to continue as a going concern, including Byte Power Group Limited’s ability to pay its debts as and when they fall due needs to be considered. The continuation of the consolidated entity as a going concern is dependent upon its ability to achieve the following:*

- *The continued support of major creditors and loans from the major shareholders;*

- *Obtaining an overdraft or working capital facility to assist the consolidated entity to pay its debts on a timely basis;*
  - *Obtaining additional equity in the form of capital raising or longer term debt to enable the Group to fund operating and investing activities and cash flow requirements;*
  - *Obtaining additional working capital in the form of cash receipts from the sale of other assets of the consolidated entity including the sale of BPX tokens to enable the consolidated entity to fund operating and investing activities cash flow requirements; and*
  - *The generation of future positive cash flow by the underlying businesses.”*
- E. The announcement titled “Further Update on Soar Labs settlement” which was released on MAP on 8 June 2018, providing further information about the settlement agreement reached with Soar Labs Pte Ltd originally announced on 24 May 2018. In particular, under the settlement, Byte Power Pty Ltd (“BPPL”) was due to receive settlement proceeds of US\$232,323.67 on or before 24 November 2018.
- F. The announcement titled “Update on BPX Token” which was released on MAP on 15 November 2018, where BPG outlined that the Australian Securities Investments Commission (“ASIC”) has concerns around the BPX Tokens and that how they could constitute interests in a managed investment scheme. BPG goes on to state:
- “In response to ASIC’s concerns, BPG has at this stage a) suspended the offer of the BPX Tokens in Australia; and b) sought further legal advice.*
- BPG will continue to liaise with ASIC with the aim of addressing its concerns about the legal status of the BPX Tokens.”*
- G. The infringement notice and determination issued by the Australian Securities and Investments Commission (“ASIC”) on 12 December 2018, where BPG is required to pay a penalty of \$33,000 as announced to MAP on that same date.
- H. BPG’s announcement released on MAP on 18 December 2018 titled “Update on Cryptocurrency Exchange”, which states:
- “The Cryptocurrency Exchange is now open for registrations. This allows users the opportunity to register on the Exchange. All pre-registered users who have provided verification documentation are currently being processed for KYC purposes. Trading has been disabled until we have verified recent updates and completed our security testing.”*
- I. BPG’s Appendix 4C for the month ended October 2018, released on MAP on 30 November 2018 (“October Appendix 4C”), disclosing that BPG had cash and cash equivalents at the end of October 2018 of \$18,000 and estimated cash outflows for November of \$148,000.
- J. Listing Rule 12.2 which provides:
- “An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.”*

Having regard to the above, ASX asks the Company under Listing Rule 18.7 to respond separately to each of the following questions and requests for information for the purposes of ASX being satisfied that the Company is in compliance with the Listing Rules:

1. Please provide an update on BPG’s progress towards implementation of a working prototype of the Wimobilize Big Data solution for its first customer, including (but not limited to do) what work remains outstanding, how long it is expected to take, how much it is expected to cost and how BPG intends to fund this expenditure.
2. Please explain and quantify the financial impact on BPG if it is unable to deliver a working prototype of the Wimobilize Big Data solution within the agreed timeframe, including if it is required to refund any amounts already paid by the first customer.

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3. Did BPPL receive the settlement proceeds of US\$232,323.67 due from Soar Labs Pte Ltd by the due date of 24 November 2018? If these proceeds have not been received, when does BPG expect to receive them?
  4. Please provide an update on the legal status of BPX tokens and BPG's discussions with ASIC around whether or not BPX Tokens constitute interests in a managed investment scheme.
  5. Please confirm what tasks remain outstanding for the cryptocurrency exchange to be fully operational and when BPG expects that to occur.
  6. Please explain how much has BPG spent developing the cryptocurrency exchange to date, what outstanding invoices BPG yet to pay for this development, how much more does BPG expect to have to pay to finish development of the exchange and how BPG intends to fund this expenditure.
  7. Does BPG expect that it will continue to have negative operating cash flows for the time being and if not, why not?
  8. Has BPG taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
  9. Please confirm that BPG is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under the rule that has not already been released to the market.
  10. Please confirm that BPG's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BPG with delegated authority from the board to respond to ASX on disclosure matters.
  11. Please provide any other information that BPG considers may be relevant to ASX forming an opinion on whether BPG is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

#### **When and where to send your response**

Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 am AEDT on Friday 4 January 2019**. If a satisfactory response is not received that demonstrates BPG's compliance with Listing Rule 12.2, ASX reserves the right to remove BPG from the Official List of ASX pursuant to Listing Rule 17.12.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by email at [rupa.kapadia@asx.com.au](mailto:rupa.kapadia@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the platform.

Yours sincerely

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**Rupa Kapadia**  
Adviser, Listings Compliance (Sydney)