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ASX: YPB

ASX/MEDIA ANNOUNCEMENT

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Corporate Governance Statement Year Ended 31 December 2015

The Board of YPB Group Limited (ASX:YPB) is pleased to lodge the following Corporate Governance Statement for the year ended 31 December 2015.

Corporate Governance Statement

Background

The Board of Directors of YPB Group are responsible for the Corporate Governance of YPB Group and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The YPB Group Corporate Governance Statement on the governance practices adopted by the Company is structured with reference to the ASX Corporate Governance Council's Principles and Recommendations. The practice are summarised below.

The Board is committed to improving its corporate governance practices and embracing the principles put out by the ASX Corporate Governance Council, however the Board is of a view that the adoption of the practices and principles should be in line with the growth in size, changes in the nature and increase in complexity of the Company's business.

The Board aims to achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time. As reported in the current years' and previous years' annual report, the Company has been concentrating on its efforts to restore the financial position of the Company and does not have sufficient resources to adopt and improve its corporate governance practices at present.

It is the new Board's intention to apply all principals previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 1: Lay solid foundations for management and oversight.

On resumption of quotation of YPB Group's securities on the ASX, it is the Board's intention to ensure the Company is structured such that there are clearly defined roles, segregation of duties and responsibilities and approved levels of authority between the management and the governance of the Company. The Board will set the overall corporate governance policy for the Company including determining the strategic direction, establishing policies and goals for management and monitoring the achievement of them. The Board will delegate

responsibility for the day to day management of the Company to the Chief Executive Officer and the senior executive team.

The key responsibilities of the Board will include:

- setting the long-term strategy and annual business plan including objectives and milestones to be achieved;
- evaluating capital, cash and operating risk budgets and making appropriate recommendations on an annual basis;
- reviewing and approving the Company's financial, strategic and operational goals and assessing key business developments as formulated by management in line with the objectives and goals set by the Board;
- monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;
- appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer and Company Secretary;
- overseeing the delegation of authority for the day to day management of the Company;
- ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance;
- reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company;
- approving the capital structure and major funding requirements of the Company;
- making recommendations as to the terms of engagement, independence and the appointment and removal of the external auditors;
- setting the Code of Conduct for the Company and ensuring that appropriate standards of corporate governance and ethics are effectively communicated throughout the Company and complied with;
- reviewing the adherence by each director to the Directors' Code of Ethics;
- establishing policies to ensure that the Company complies with the ASX Continuous Disclosure Policy;
- approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and
- ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.

Principle 2: Structure the Board to add value

The Board is presently structured to maximise value to the Company and the shareholders. The Board is of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives, experiences and skills.

Board composition

The Board subsequent to 27 April 2015 is composed of five directors. The skills, experience and expertise relevant to the position of Director held of each Director in office at the date of the annual report are included in the Directors Report.

It is noted that the Company's board composition is in keeping with the commentary and guidance to Best Practice Recommendations 2.1 as the majority of the Board is independent, the Chairman is not independent. The Board is of the opinion that the current stage of its development requires the Company to have a board, which has more of a hands-on approach and technical experience in order to grow the Company. However, the board is committed to follow the guidance to Best Practice Recommendations 2.1 by appointing additional independent directors to the Board as appropriate in the future.

The Board has determined that there are sufficient appropriate alternative governance measures in place to ensure that any noncompliance with the recommendations does not give rise to undue risk or other material concerns relating to the management and oversight of the Company.

Term of office

The members of the Board are elected by the shareholders to ensure that the Board has the appropriate mix of expertise and experience.

In accordance with the Corporations Act 2001, if a person is appointed as Director during the year, the Company must confirm appointment by resolution at the Company's next Annual General Meeting.

One-third of the Board retires and make themselves available for re-election at the following AGM, with the exception of the Chief Executive Officer. No Director, with the exception of the Chief Executive Officer, is allowed to retain office for more than 3 years without submitting himself or herself for re-election.

When a vacancy exists on the Board, the Board appoints the most suitable candidate from a panel of candidates, who then must stand for election at the next Annual General Meeting if he or she wishes to continue as a member of the Board in the following year.

Personal interests & conflicts

Directors must not take advantage of their position as Directors and must not allow their personal interests, or the interests of any associated person to interfere or exert undue influence on their conduct or decisions as a Director.

Directors also have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Conflicts of interest can be either actual or potential. If a conflict of interest arises, Directors must disclose their interests to the Board immediately. The Directors concerned must not be present at the meeting while the matter is being considered and must not be allowed to vote on the matter either.

Independent professional advice

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Board Standing Committees

Due to the size of the Company the Board has decided not to formally establish a Nomination Committee.

The board has yet to establish an Audit and Risk Management Committee, at the date of this report, and as such, the responsibilities and duties of this Committee were taken up by the Board during the period. The small size and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the

Company's financial reporting with the same efficiency as an Audit and Risk Management Committee.

Consequently, the Company does not comply with Best Practice Recommendations. However the Board will keep this position under review and it is intended to comply with such recommendations in the current financial period.

Summary

In summary, the Company does meet the requirements of Principle 2 of the Corporate Governance Guidelines in that:

(i) The Board does comprise a majority of independent Directors;

The Chairman however is not an Independent Director.

As explained throughout this section, the Board feels that at the present time each of the recommendations is not cost effective for adoption in a small public company such as YPB Group Ltd. However the Board will constantly monitor and review the situation.

Principle 3 and 10: Promote ethical and responsible decision-making and recognise the legitimate interests of stakeholders

Code of Conduct & Ethics

The Company had a Code of Conduct, which sets the standards in accordance with which each director, manager and employee of the Company is expected to act. The code is communicated to all levels of the Company and deals with areas such as professional conduct, customers/consumers, suppliers, advisers/regulators, competitors, the community and the employees.

In addition to the Code of Conduct, the Company also had a Directors' Code of Ethics, which sets out particular issues relevant to directors' obligations to the Company.

Share trading policy

The constitution permits directors, senior executives and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for insider trading.

Directors must notify the Chairman of the Board, before they buy or sell shares in the Company. If the Chairman of the Board intends to trade in the Company shares, the Chairman of the Board must give prior notice to the Chairman of the Audit & Risk Management Committee or the whole Board if there is no Audit & Risk Management Committee. The details of the share trading must be given to the Company Secretary who must lodge such details of such changes in with the ASX.

Senior executives must give prior notice to the Chief Executive Officer, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 7 business days.

Any changes in substantial shareholding of the Directors, senior executives or other officers must be reported to the ASX within 2 business days of such trading. The policy also recommends that trading in the Company shares only occur in the following trading windows:

- 30 days after the announcement of the Company's half year results; and
- 30 days after the announcement of the Company's full year results.

It is the Board's responsibility to ensure 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 benchmarking of operational key performance indicators.

Executive Certification

Historically the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are required to and have provided assurance to the Board stating that the financial statements and reports of the Company:

- Present a true and fair view, in all material respects, of the operating results and financial condition in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001;
- Are founded on a system of risk management and internal compliance and control, and these are operating efficiently and effectively in all material aspects.

It is the Boards intention to apply all principles previously adopted on the resumption of quotation on the ASX - including the requirement to obtain assurances from the CEO and the CFO in relation to the financial statements, systems of risk management and internal controls - in stages as the Company grows and its circumstances change over time.

Audit & Risk Management Committee – audit responsibilities

The Company currently does not have an audit committee. Historically the board believes a separate audit committee in a company of this size with the absence of independent Directors would be of little value. The small size of the company and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an audit committee.

The board is committed to following the Best Practice Recommendation 4.3, and will establish an independent Audit & Risk Management Committee in the coming financial year.

Principle 5: Make timely and balanced disclosure

Historically, the Company's market disclosure policy is to ensure that shareholders and the market are fully informed of the Company's strategy, performance and details of any information or events that could be material to the value of the Company's securities. The Company is committed to ensuring that all information that may have a material impact on the Company's share value is disclosed to the market in a timely and balanced manner.

The Chief Executive Officer and the Company Secretary, in consultation with the Board, are responsible, for the review, authorisation and disclosure of information to the ASX and for overseeing and coordinating information disclosures to the ASX, shareholders, brokers, analysts, the media and the public.

The Company ensures that it also complies with the requirements of the Listing Rules of the Australian Stock Exchange ("ASX") and the Corporations Act in providing information to shareholders through:

- The half-yearly report to the ASX;

- The annual Report which is distributed to the ASX and to shareholders prior to the AGM;
- The AGM and other meetings called to obtain approval from shareholders where appropriate;
- Ad-hoc releases to the ASX as required under the ASX Listing Rules.

It is the Board's intention to apply all principles previously adopted in a timely manner on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 6: Respect the rights of shareholders

Communication to shareholders

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary are primarily responsible of ensuring communications with shareholders are delivered in accordance with this strategy and with our policy of continuous disclosure.

The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.

Annual General Meeting

Historically, the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The Board has also requested representatives from Hall Chadwick, the Company's external auditor, to be present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

It is the Boards intention to apply all principles previously adopted on the resumption of quotation on the ASX and implement all of the Best Practice Recommendations in stages as the Company grows.

Principle 7: Recognise and manage risk

Risk management responsibilities

The Company's risk management framework is designed to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals.

As no member has been appointed to the Audit & Risk Management Committee, the Board is responsible for reviewing and ratifying the system of risk management, internal compliance and control, codes of conduct and legal compliance.

Historically, the Board delegates to the Chief Executive Officer and the Chief Financial Officer the responsibilities for the establishment, implementation and maintenance of the system of risk management including measures of its effectiveness.

It is the Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 8: Encourage enhanced performance

Performance evaluation

The Board has responsibility with respect to the following functions:

- develop policies and procedures to identify, assess and enhance the skills, expertise and competencies of the Directors individually and the Board as a whole; and
- develop a process and establish the criteria for evaluating the performance of the Directors and the Board as a whole.

Monthly financial results

Historically, the Chief Financial Officer distributed the financial results of the Company to members of the Board before each Board meeting. This ensures the Board is kept up to date with all the necessary information to effectively discharge their duties in its discussions and deliberations. The Board is also free to meet and question individual members of management to clarify issues on any matter pertaining to the Company.

It is the Board's intention to apply all principles previously adopted – including distribution of results before each board meeting and implement all of the Best Practice Recommendations in stages as the Company grows.

Director induction and training

New Directors will be provided with an induction program to introduce them to the Company structure, culture and business operations.

Directors are also encouraged to undertake continuous professional development, at the Company's expense, to keep their skills up to date.

Principle 9: Remunerate fairly and responsibly

Remuneration responsibilities

The Company's remuneration policy is disclosed in the Directors' Report. The policy has been set out to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.

The Board determines any changes to the remuneration of key executives on an annual basis.

The Board determines and reviews compensation arrangements for the Directors and the executive team.

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About YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, we are expanding our global footprint with an established presence in China, USA, Australia and South East Asia.

YPB's patented anti-counterfeit technology combined with its security packaging solutions, consulting and forensic services enables businesses to protect their high value brands from the risks of counterfeit and product diversion.

YPB's full range of services will give businesses the ability to cost effectively protect their brands, easily detect counterfeits and give them the opportunity to connect with their consumers about the authenticity of their brand.

PROTECT

Security print packaging and labeling

YPB offers a wide range of intelligent security packaging and labeling solutions that can be included into almost any material and is a cost effective brand protection solution for companies wanting to protect the integrity and value of their brands in high-risk markets.

IP solutions & forensic services

YPB's IP solution specialists will work with quality brands and Governments, to develop personalised brand protection strategies and solutions that will deliver real protection and safety for brands, products and consumers.

DETECT

Scanner and tracer protection solutions

YPB's patent protected state-of-the art tracer technology is invisible, cannot be copied or destroyed. Brand owners that include YPB's tracers in their packaging can use YPB's scanners to verify their product's authenticity. If a counterfeit is detected YPB's forensic services will consult with a brand owner to develop strategic solutions to protect the brand counterfeiting and product diversion.

CONNECT

Smartphone applications to detect and connect

YPB's sophisticated, user friendly and powerful smartphone applications allow brand owners and consumers to identify and report suspected counterfeit or divergent products and allows brands to connect and engage with consumers via QR codes, near field communication, track and trace, product scanning and consumer engagement. Giving brand owners valuable and actionable "big data" about their consumers and products through a powerful data analytics capability.