



ASX ANNOUNCEMENT

ASX: YPB | 17 June 2019

2018 ANNUAL GENERAL MEETING - CHAIRMAN'S ADDRESS

Please find attached the Chairman's address to be delivered at today's Annual General Meeting.

Faithfully,

On behalf of YPB Group Limited

Adam Gallagher
Company Secretary



Ladies and Gentlemen,

I am pleased to welcome you to the Annual General Meeting for YPB Group Limited for the financial year ended 31 December 2018.

Since the last Annual General Meeting, the Group has evolved on many fronts and we have taken steps to both significantly reduce expenditures especially salaries (nearly halving since Q2 2018) and improve the allocation of resources toward our strongest opportunities. One of the challenges when armed with world-leading and universally applicable technology such as we have in the product authenticity space, is identifying the key verticals to focus our efforts on among the myriad of opportunities.

The opportunities for product authenticity have taken some time to evolve, but are now (in 2019) stronger than I have ever seen in my years dedicated to the fight against counterfeit.

When I returned to the CEO role, I quickly set about reducing costs through a deep restructure and then a total rebuild of the management team. In parallel I have also been able to turn my focus outwards to completely productise our technology and seek to secure major agreements for distribution opportunities of our products to propel our commercialisation and deliver new revenue streams.

Each of these agreements were signed with high expectations of revenues that would result from the adoption of our products by the end-brands connected to the major e-commerce, packaging and other strong intermediary prospects for distribution of product authentication solutions.

Our strategy adopted in 2018 and still in place, focuses on our e-commerce, packaging and other channel partners to introduce and encourage the adoption of our product suite by the brands that are their clients. The pace of adoption on the whole has fallen well short of our initial expectations when we entered into these channel relationships, however we have now developed a much stronger understanding of where our future successes are likely to come from based on the connections that are displaying emerging commercial traction.

YPB today has subsidiaries and distribution capability in mainland China, Thailand, Indonesia, Singapore, USA and Australia and I here provide a high level summary touching on the key developments in each of these regions since our last AGM.

After several years investing in China with a number of high profile groups we are starting to see some promising traction in the working relationships we have with label manufacturers and converters including CCN and Meixin. For the five months to 31 May 2019, I am pleased to report that top line revenues from our activities in China are up 165% compared to the same period last year.

We are developing stronger working relationships and deeper engagement with these two key channel partners that we anticipate will lead to greater adoption of YPB's solutions from their respective brand clients, some of which are amongst the largest in the world. We are also working closely with Meixin to further tailor our tracer solution for their



specific purposes. In 2019 our focus in China is on developing these relationships that have started to bear fruit and accelerate adoption of our solutions through these types of proven intermediary channels. Our Alihealth distribution relationship as previously reported has been disappointing and will not play a role in our future plans for the China market.

Our key client in Indonesia, pharmaceutical group PT Combiphar, has been the major driver towards the generation of over 75 million QR codes through our Connect Platform. Revenues from Indonesia for the year five months to 31 May 2019 are up 119% on the same period for the prior year. Combiphar has to date confined the adoption of the Connect Platform with YPB's QR codes to a single SKU (Stock Keeping Unit), however from dialogue with the customer we anticipate that this will be extended to two or more SKUs during the course of 2019.

The Connect platform has come a long way from a basic data capture tool to an insightful and powerful consumer engagement platform for brands which is sold on a SaaS basis along with a price per code issued.

Progressive web apps with rich data hosting now enables powerful analytics and we have addressed a key former impediment to engagement by increasing the speed of response from scan to handset display globally thus providing a more fluid consumer engagement experience. I encourage shareholders to view a new explainer video on Connect that is available on the Company's website (www.ypbsystems.com).

Further to increased sales through the Connect platform that are up 200% year on year for the five months to 31 May 2019, the design improvements have also led to a reduction in the running costs to support and maintain the platform and hence sales margins have also improved. Through the increasing adoption of YPB's physical solutions including Vintail, QR and NFC we have developed a sustainable revenue model for Connect with a strong foundation for future growth.

In Australia, a key standout has been our deepening engagement with the wine sector. It is standard practice by counterfeiters in certain export markets that high profile Australian wine bottles are refilled and sold as new several times over. This robs revenue and reputation from wine producers as well as putting consumers at risk. The use of YPB's Vintail™ solution can effectively eliminate counterfeit wines as well as provide powerful market insights to brands on the physical journey of their products. Furthermore the consumer can receive information from the brand intended to heighten their appreciation of the product and hence the relationship with the brand. A commercial objective for 2019 is to build on the working relationships and broaden the uptake of our existing technologies for tracer, foil and Connect in the wine industry.

Another positive development locally in the last twelve months has been the reinvigoration of the working relationships with packaging groups such as Impact Tubes International who recently won an award for their innovative tubes that are linking the physical to the digital world facilitated by YPB's Connect platform, and we are pleased to advise that we have established a go to market strategy with our highest potential partner in this market, Orora.

Another exciting development during 2018 and continuing is the engagement with e-commerce platforms that has come through the Cannabis sector. Since the legalisation of



Cannabis in many jurisdictions, the prevalence of counterfeiting in products and accessories has also emerged. Online sales platforms are caught in the middle with an ostensible responsibility to their customers though with few means to guarantee the authenticity of products sold on their platforms.

YPB's work with Namaste and a growing number of their customers is an excellent case study for the broader e-commerce market in providing certainty of authenticity to the platforms and their customers. Again the story does not end with proving authenticity and the accessories manufacturers have embraced the opportunity for richer customer engagement that YPB provides through its Connect platform.

In regard to the pending commercialisation of our flagship technology Motif Micro, capital constraints have unfortunately slowed the pace of development however advancement has continued under the stewardship of the co-inventor Dr Paul Bisso, who together with Professor Patrick Doyle of MIT developed the initial IP for this revolutionary technology. During the last twelve months we have seen the achievement of smartphone readability that from my career in anti-counterfeit is the most significant technical milestone that I have observed for any anti-counterfeit mark that can be applied through a tracer to a wide range of materials. The next step that we are anticipating is curved surface readability that then paves the way for initial commercialisation of a YES/NO authentication mark applicable to most forms of product packaging. We still intend to achieve this goal during the 2019 calendar year and I can confidently say that every one of our packaging partners and end brand clients are eager to deploy our Motif Micro technology. A number of parties in several regions have expressed interest in working with us to speed up the development of this technology and in 2019 we intend to accelerate our ability to fully develop and commercialise this technology.

During the 2019 calendar year to date we have undergone a further management restructure that has resulted in a 46% decrease in monthly employment costs compared to Q2 2018. I especially note that this has been assisted by each of the non-executive directors agreeing to go to zero cash and receive their fees entirely in shares, plus senior executives (myself included) agreeing to reduced cash salaries. This is a great endorsement by the directors and senior managers and speaks to their belief in the future value of the company and I thank them for their continued efforts and support of the Company.

Myself along with the management team are significant shareholders, and we are acutely aware of the dilutionary impact on share capital that consecutive capital raisings have caused. Although we must ensure that the Company is adequately funded, through reducing expenditures and pursuing new revenue opportunities, we are working very hard to shift the accountability for funding further toward internally generated cash and thus reducing our reliance on external funding to achieve the Company's objectives.

I also would like to thank the entire YPB team that spans four countries and three languages. Their dedication and efforts have allowed the progression of the group on several fronts, and positions us well for the balance of the 2019 and beyond.

I thank shareholders for their continued interest, support and patience as we seek to capitalise on our technology and market opportunity.

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