

ASX ANNOUNCEMENT

ASX: YPB | 27 October 2021

YPB signs 3-year contract with global e-cigarette supplier

- **Take or pay contract with Kingtons Technology Co Ltd**
- **Minimum order quantity over three-year term equates to A\$181,000**
- **Kingtons supplies the global US\$18.47 billion e-cigarette industry¹**
- **E-cigarette market presents significant opportunity for YPB**

Anti-counterfeit and consumer engagement solutions provider **YPB Group Limited (ASX: YPB)** is pleased to advise that it has secured a three-year take or pay supply contract valued at A\$181,000 (RMB870,000) with Shenzhen-based electronic cigarette and vaporiser technology manufacturer Kingtons Technology Co Ltd (www.kingtons.net) ("Kingtons").

This contract marks the expansion by YPB into a major, rapidly growing market segment where counterfeit is rife, extremely costly and its consequences potentially fatal. YPB previously supplied over 200,000 anti-counterfeit labels to Kingtons since 2020. This new contract applies YPB tracer directly into Kingtons' hardware to provide the highest level of anti-counterfeit protection. The addressable market in anti-counterfeit solutions for e-cigarette manufacturers for YPB is embryonic but significant and this application is revolutionary to this industry.

According to Kingtons, there are over 170,000 e-cigarette manufacturers in China alone. Research indicates that the e-cigarette hardware market is valued at US\$18.47m per annum and is growing at a CAGR of 28.1% and is estimated to be an industry worth US\$104.51billion by 2028.¹

Under the agreement YPB's T2 tracer nano material will be incorporated by Kingtons in their e-cigarette and vape hardware, molded into the actual product, to allow easy detection of fake hardware by YPB's T2 scanner in the supply chain or at retail.

YPB's T2 tracer-scanner is the foundation of YPB's anti-counterfeit technology. It is a patented nanotechnology that can be simply, safely and cost-effectively incorporated into products including ink, varnish, plastics and paper – essentially any product or packaging typically used in mass consumer markets.

YPB is the only licensed company in China that supplies proprietary invisible tracers. This and other recent agreements highlight that YPB's tracer-scanner technology is still highly relevant in high-volume supply chains with counterfeit problems due to its invisibility, indestructability and safety. The opportunities in China are still very significant and YPB's hit rate in identifying and winning new customers is increasing.

Founded in 2009, Kingtons is focused on electronic cigarette research, design, development, manufacturing and marketing. The group's factory is over 16,000m² with 20 production lines and 500 employees. Kingtons has a monthly capacity of over 2m kits and exports to customers in Europe,

¹ Source Grandview Research "E-cigarette and vape market size, Share & Analysis Report" published May 2021 Report ID: GVR-2-68038-433-8

North and South America and Asia. Kingtons manufactures its own brand of hardware and also manufactures as an OEM supplier to partners in Europe, Asia, North America and Africa.

YPB Group CEO John Houston said: *"Entering such a dynamic new market as e-cigarette and vape hardware is very exciting. The industry is large, growing rapidly and has major counterfeit issues. Given the sheer number of OEMs across China, the opportunity for YPB is both ripe and significant.*

I'm also pleased to demonstrate that our foundation products and derivatives are still highly relevant to very large markets that are only just beginning to adopt anti-counterfeit solutions. It is significant that that every product in our solution suite has revenue potential well above that being presently achieved.

Finally, it is again worth highlighting the "take or pay element" in this contract, demonstrating strong client commitment and underpinning and growing our recurring revenue base."

The key terms of the agreement are as follows:

- The agreement is between YPB and Shenzhen Kingtons Technology Co., Ltd.
- The term of the agreement is 36 months.
- In each 12 month period the purchaser must purchase RMB280,000 of tracer master batch and RMB10,000 of YPB T2 scanners (minimum purchase quantity). In each 12 month period, if the minimum purchase quantity has not been reached, the minimum purchase quantity must be purchased within 7 days of the end of the year in question, except in relation to the first year whereby the purchaser has an additional 3 months to reach the minimum purchase quantity. The payment method is by pre-payment prior to the goods being dispatched.
- The agreement contains other standard terms for a supply contract of this nature including provisions relating to the use and restrictions relating to the Company's technology and ownership of intellectual property rights relating by the Company and confidentiality.





This announcement has been authorised by the Board of YPB Group Limited.

Ends.

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About YPB Group

YPB Group Limited (ASX:YPB) is an Australia-based product authentication and consumer engagement solutions provider. YPB's proprietary smartphone enabled technology suite allows consumers to confirm product authenticity and, for brands, that triggers consumers' engagement.

The combination of YPB's smartphone authentication solutions and its SaaS Connect platform, creates 'smart' product packaging, opening cost-effective, digital and direct marketing channels between brands and their consumers. Connect gathers actionable data on consumer preferences. It can then host tailored marketing campaigns directly back to the scanning smartphone.

YPB is currently focused on the rapidly growing Australian, South East Asian, and Chinese markets. Its focus is dairy, cannabis, alcohol and cosmetics where the viral growth of fake products, particularly in Asia, affects brand value and endangers consumers. To learn more please visit: ypbsystems.com