



YPB Group Limited

ACN 108 649 421

Annual Report

31 December 2022

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Executive Chairman and CEO's Report to Shareholders

Dear fellow shareholders,

I am pleased to present YPB Group's Annual Report for the year ended 31 December 2022.

In difficult circumstances, we delivered an improved financial result for the year. Albeit, unfortunately, still a loss, it was the smallest in the company's history.

But more importantly, our progress in 2022 was considerably greater than our accounts and public news flow implied, and I am encouraged that the opportunities created in 2022 can deliver financial rewards in 2023.

Covid severely obstructed realisation of our business plan, but it spurred important success in three key areas:

- Organisational efficiency and effectiveness, with further cost reductions while talent was upgraded.
- Product depth and commerciality, with new products and the integration of our entire product suite into our Connect Global Dashboard.
- Marketing and sales effectiveness, with new outbound marketing power and targeted selling skill.

I am optimistic that these critical advances will yield more readily observable progress in 2023.

USA pull tab/instant lottery

The best evidence of our achievements in 2022 was announced in early March 2023 with our entry into the USA pull tab/instant lottery market. This was arguably the most important deal closed post the Covid19 era and demonstrates the amalgam of all three elements above to create significant new opportunities for YPB:

- Our boosted online marketing effort produced an inbound enquiry as to whether our authentication suite could prevent double payouts on winning tickets;

- Our tech team adapted our invisible YPB Tracer technology to create an OEM scanning module for automated payout kiosks; and
- Finally, this was done at minor incremental cost.

The instant lotteries market is an exciting prospect for us, and was enabled by the synthesis of product, sales and organisational effectiveness. The USA instant lotteries market was valued at US\$65 billion in 2021, accounting for 62% of all USA lottery sales in 2021. The EU instant lotteries market was an almost identical size in 2021. Both markets grew at circa 10% per annum compound over the 20 years to 2021 and are expected to maintain rapid growth. (Source: Public Gaming International, March-April 2022).

We plan to leverage this new solution by taking the concept and use-case data to further USA instant lotteries states and to explore opportunities in China and beyond.

Further, this contract not only opened a door to the North American lotteries market, but also established potentially valuable relationships with two prominent vendors of lottery technologies, one in North America and one in Europe.

Research and Development – extend and expand existing, progress the revolutionary, Connect as Global Dashboard

The over-arching thrust of our technical effort in 2022 was to:

- Grow our revenue potential via product range expansion from low-cost variations of existing solutions.
- Progress our revolutionary forensic, smartphone readable authentication solution MotifMicro.
- Add wireless connectivity to all products, and digital control via the YPB UnifAI APP.

- Upgrade YPB Connect to create a truly self-serve, digital authentication and consumer engagement platform.

The addition of this digital transfer technology and smartphone interface to all products via the new YPB UnifAI APP has allowed our entire product suite to be integrated with the next generation of YPB Connect, producing numerous anticipated benefits including:

- Increased revenue streams – wider applications for scanners and tracers, and digital transfer capability for serialised products.
- Shorter sales cycles – a fully coherent solution set making multiple-product purchases more likely as customers easily pick and mix.
- Increased recurring revenues – via greater range, greater value to the customer, and greater ordering ease.
- Expanded generation of high value data – previously offline products such as YPB Tracer now generate digital output through UnifAI.
- Greater operational leverage for YPB - operations can scale with minimal overhead growth.

These outcomes suggest that the digitalisation of all our solutions will create a virtuous product cycle where all YPB products generate valuable scan data, that enables customers to refine their marketing and sales, which in turn drives more of their own sales to further adopt data-generating YPB authentication solutions.

Scan data is gold to marketers

It is worth reflecting on the value of data generated by authentication scans. We've long held that *authenticity triggers engagement*, and YPB's scan technology creates direct engagement that is highly valuable to brands.

However, now that our ProtectCode QR authentication products have been in the field for some time, our clients have learned that *scans drive data* – coalface, first-party, actionable, low-cost data, invaluable to companies trying to control supply chains

and understand often remote end consumers.

The value of this data, our expanded product range, and the analytical and marketing power of YPB Connect has undoubtedly added a whole dimension of value to our customers beyond pure anti-counterfeit protection and authentication – it has increased our addressable markets.

Connect as the Global Dashboard

Upgrades to YPB Connect in 2022 have now made it the hub of our product offering, described as a “Global Dashboard” for brands.

Our authentication solution families - YPB Tracer, ProtectCode, BrandReporter and MotifMicro - are all accessed and managed via the YPB Connect Global Dashboard.

Customers are able to:

- generate their own QR codes;
- manage their own products;
- manage campaign development; and
- manage and create users.

This ability was created by incorporating an Artificial Intelligence (AI) rules-based approach to YPB Connect's core architecture.

YPB Connect generates the ProtectCode family of digital authentication (anti-counterfeit) products.

In addition to its anti-counterfeit credentials, YPB Connect collates and manages data produced by authentication scans such as:

- Date;
- Time;
- Location; and
- User information.

This data is so valuable to marketers as it provides visibility into supply chains and first-person customer behaviour that they would rarely otherwise have.

YPB UnifAI APP

This primary data is generated by the act of scanning in a supply chain, point of sale or point of consumption. The newly created

YPB UnifAI APP provides wireless connectivity between the scanning device and YPB Connect, allowing the permanent capture and analysis of the data.

Originally developed as the MotifMicro app, YPB UnifAI has been extended to now be an all-in-1 app powering smartphone access to both our MotifMicro and Tracer authentication technologies. Its development was a major success by our tech team in 2022.

MotifMicro

The concept supporting the MotifMicro family of products was originally invented at MIT, however the first generation of YPB's revolutionary forensic anti-counterfeit solution (MM1) readable by an unmodified smartphone was invented in house by YPB and is secured by our own Patents in USA and China. It has the potential to make ultra-secure anti-counterfeit solutions available in mass consumer markets globally and has obvious applications in ultra-high-volume Government-issued documents.

MotifMicro uses a smartphone's camera to detect the presence of invisible microparticles. These MM1 particles are "read" by the YPB MotifMicro APP which is powered by Artificial Intelligence (AI) and machine learning technology. During the development journey, the diversity and rapid model development of smartphone cameras has created challenges for calibrating the APP to the plethora of cameras in the ever-growing variety of phone models. Not only have camera lens numbers and sensors been increased, but so also have capabilities such as deep fusion, camera ISO, and light sensitivity. To address these issues, YPB's development team invented a unique, bespoke and proprietary "camera plug-in" to read an embedded phosphor (i.e. MM1 particle).

During 2022, we further developed the capabilities of MotifMicro in trials with several partners in multiple territories, focussed in B2B applications. Through the valuable feedback received, we have made significant strides in readability and commercial relevance. The biggest hurdle to full market release has been result accuracy in variable light conditions. Our development road map will see greater

employment of AI to achieve the very high degree of accuracy we demand of a fully market-ready product.

The next generation of MotifMicro totally bespoke tracers, MM2, is well planned and development is likely to commence late in 2023 or into 2024, our technical development having been hampered by Covid restrictions in China which have only recently been relaxed.

YPB Tracer

An example of the low-cost product innovation undertaken during the year was the development of further variants of our foundational tracer-scanner technology. This was undertaken following customer feedback that the addressable market in China could be meaningfully expanded via modest variations to this product.

A more important advance, however, was Bluetooth enablement of the proprietary YPB scanner used to confirm the presence of YPB Tracer. Having a Bluetooth enabled scanner creates two clear benefits:

- It expands the potential deployments of YPB Tracer; and
- It generates valuable scan data for the first time (previously only an offline yes/no answer).

Together these benefits have seen the potential realisable value of YPB Tracer significantly multiplied.

This is exemplified by the development of the OEM scanner module for use in the instant lotteries market as discussed above.

During 2023, we will explore more markets geographically and product wise to include Europe and the huge range of machines which require validation such as event ticketing to name one. This potential step-change in the value of YPB Tracer would have been impossible without 2022's value-creating innovations.

YPB Brand Reporter

YPB Brand Reporter is an existing YPB product that had been languishing. It had solid supply chain credentials and has been merged with a more recently developed track-and-trace product. It allows tracking of products from manufacture to distribution through retail

and the end consumer with the distinct benefit of a single QR code on the product.

Integration with YPB Connect enables complete visibility of individual items through the supply chain to the end point of consumption. It is generating revenue and increased interest from customers.

Sales and Marketing

In addition to the above technical advances, new business development made tremendous progress in 2022. Our outbound, web-based marketing skill leapt ahead with the inauguration of a small but highly skilled marketing team in Bangkok.

This team developed stronger and more co-ordinated marketing materials, product pitch stories and use cases. It also undertook a concerted and more sophisticated online marketing effort with much broader and more effective coverage of all the primary business and industry platforms. This has led to a meaningful increase in potentially lucrative inbound leads. These new initiatives expanded our reach to Instagram, Twitter, LinkedIn and greatly enhanced our SEO results.

Our deal closure rate in 2022 was well short of our expectations, due primarily to covid restrictions. But knowing when deals will close, and what internal impediments may prevent closure, has so far been our Achilles heel in attempting to communicate to shareholders our prospects, particularly with large organisations – deals are faster and easier with smaller entities. Further, deals can look exceptionally prospective to only falter at the last hurdle due to no fault of YPB or its products especially over the past few years.

This has been a key motivation in casting our net wider via our upgraded marketing capability, which is already producing tangible benefits in 2023 as demonstrated by the USA instant lotteries win. Our strategy is to have more, but still very well qualified, deals in train in order to maximise our probability of success. We envisage a move into the broader authentication market where there is a growing need to

authenticate much more than products, the need to authenticate people!

An unfortunately failed strategy in 2022 was the contracting of Brand-Armor in early 2022 to drive global sales of YPB's product suite. This produced no result, and the relationship was terminated for non-delivery toward the end of 2022. If the right authentication industry talent can be found, this cost will be reinvested in 2023 in sales capabilities focused in either USA and/or EAMA.

Financials

2022 smallest loss in Company's despite revenue fall

Pleasing further progress toward the critical goal of profitability was made in 2022 with total comprehensive loss 13% lower than that of 2021, and net operating cash consumption 19% lower.

Despite this improvement, the result fell short of board and management ambitions. Covid hurt revenue by reducing normal order flows and hampering new business development.

Nevertheless, there was consolation in strong execution of controllable elements, with significant advances in cost control, product development, and sales and marketing strategy.

Cost control exercised

Despite revenue falling in 2022, tight cost control led to cost falling faster in dollar terms (although lower in percentage terms) than the revenue fall, leading to the reduced loss. Total costs ex share-based payments and foreign exchange impacts fell 11% or \$332k from the prior year.

Operating loss before foreign exchange improved 12% to \$4.0m in 2022 down from \$4.6m in 2021. Total comprehensive loss was 13% better at \$3.7m in 2022, down from \$4.3m.

Most importantly, cash outflows from operating activities were 19% improved at \$2.9m in 2022, down from \$3.5m in the prior year.

Tight cost control drove the improvements which were achieved despite lower revenue.

Revenue fell 16% in 2022 to \$556k, down from \$664k in 2021. This fall was almost entirely due to Covid policies, travel restrictions and “lockdowns” in China curbing demand for YPB's products. Not only was normal order flow restricted, but anticipated new business was slow to eventuate.

More generally, Covid disruptions severely hampered new business development in all geographies as customers battled to keep their own operations sailing through a range of supply chain and demand gales. This environment eased somewhat later in 2022, although China only started to improve after the 2023 Chinese New Year and its “re-opening” has been slow despite the abandonment of zero Covid policies in late 2022. A contract in China that has not gained expected traction is a 3 year take or pay contract with Zhongneng CIC and the Company is exploring remedies to either gain recompense or recommencement of the commercial opportunity. YPB's China team will be conducting in-person meetings with key accounts for the first time in almost two years to re-invigorate its order book and plan new projects with customers.

The two largest cost item swings were a fall in staff costs of \$415k and a rise in R&D costs of \$300k. Most of this change was mainly due to a reclassification of salaries of R&D personnel from “staff” to “R&D” to present a more accurate picture of the company's investment in product development. In aggregate, staff and R&D costs fell \$115k or 5.4%.

The apparent rise in R&D spend in fact disguised greater R&D investment efficiency, as on a like-for-like basis (removing the reclassification of staff costs) R&D fell 36% due to in-housing of the R&D effort, achieving both lower cost and greater control. Three further important points regarding the R&D investment are:

- Its productivity improved significantly over the year with greater advances in product effectiveness and commerciality per dollar of investment

than had been achieved in any prior year.

- There was no revenue benefit in 2022 from the achievement of a deeper, broader and more functional product suite, with payoffs to become apparent in 2023.
- Our R&D accounting policy is very conservative with all incremental investment being expensed as incurred, rather than being capitalised as an asset. In fact, the only intangible asset on the balance sheet is the original acquisition cost of the novel MotifMicro technology concept, which has been partially written down due to covid-related delays in achieving the anticipated commerciality. Arguably, the book value of MotifMicro has increased as YPB's developments such as smartphone readability, UnifAI APP, and initial marketing successes have all added value to the acquired intellectual property. Further, the rest of our product suite with a history and future of revenue generation is carried at zero value on the balance sheet.

On a like for like basis (pre R&D re-classification), staff costs in 2022 were effectively flat on 2021 but were inflated by:

- The payment of entitlements upon the restructure of the high cost Finance function of the CFO and other higher cost Australian based finance staff mid-year. Without these once-off items, already significantly reduced staff costs would have fallen a further 10%. In 2023, the finance function, now based in Thailand, will operate at lower cost than in 2022.
- The cost of the Brand-Armor contract as discussed above.

Other profit and loss items of note were:

- Gross margin (revenue less production costs) steady at 95% between 2022 and 2021. This high gross margin reflects the intellectual property strength of YPB's products. It is also central to the drive toward profitability with each incremental sales dollar contributing almost entirely to profit.
- Depreciation falling \$78k or 77%, with a move to a smaller office seeing surplus

fixed assets sold. This was partially offset by a \$15k increase in rental expense, with Thailand rent up due to the costs of moving to new premises (which reduced the ongoing rental expense) and no covid rent holiday in 2022, and China down due to government rent subsidies during lockdown.

- Investor relations falling \$193k or 60% as expensive but ineffective IR programs were discontinued.
- Regulatory fees down \$66k or 35% due to lower ASX and ASIC costs.
- Travel costs rising \$91k from an artificially low covid-restricted base, as more normal travel resumed. Pleasingly, this spend has proven very effective with attendance at trade shows producing important new business opportunities, and greater staff cohesion and enthusiasm yielding tangible benefits.
- A final P&L item of note was a rise in share-based payments from \$8k in 2021 to \$377k in 2022. This non-cash remuneration acknowledged the vital contributions of key personnel and is foundational to the protection of shareholder value by keeping key contributors dedicated to the company's success.

Balance sheet stable, funding support from Executive Chair

The unfortunate fact of YPB being still early in its revenue development, is that we are cashflow negative and reliant on capital injections to fund operations. Yet the benefit of the cost drive and greater cash efficiency achieved in 2022 is that the company was able to issue \$1.5m less in new equity in 2022, totalling \$2m, than in the prior year. Being highly conscious of the impact of new equity issuance on shareholder value, the board always strives to minimise equity dilution.

Unfortunately, however, the 2022 tech sector rout and delays in achieving the company's promise has seen its share price languish. This caused regrettable equity dilution, with a share consolidation recommended by the company's key capital markets adviser having a particularly dire and opposite-to-predicted

impact on the company's value. The board and management are highly conscious of this loss of value and are dedicated to its restoration.

The company briefly took on \$500k of short-term debt in 2022 which was repaid quickly. More significantly, I personally secured the company's future in Q4 2022 at a time when capital markets were closed to small, unprofitable tech companies, by providing \$1m funding. This funding and its terms were approved by shareholders at general meeting in December 2022.

There were few other movements on the balance sheet other than an increase in trade and other payables of \$558k. The majority of the increase was in the "other" category and does not reflect a blowout in trade payables, nor does it infer any increased risk to the company.

Outlook

High market need, high market value

As in previous Annual Reports it is worth reiterating that the economic underpinnings of YPB's addressable markets remain highly prospective:

- Counterfeit creates annual economic losses of trillions of dollars to governments, brands, and consumers, and continues to grow at double-digit rates.
- Consumers increasingly demand proof of product provenance and authenticity and brands failing to respond do so at their increasing peril.
- Fragmentation of consumer attention and traditional media channels makes direct consumer engagement ever more valuable to brands.
- Document fraud and fake identities threaten civic safety in many countries, and tax avoidance via fake tax stamps, vehicle registration labels etc. are major problems for many governments.
- Reputations across all aspects and strata of society are threatened by the emergence of artificial-intelligence-created fakes in all forms of media.

The potential value of the market for solutions to these typically urgent problems remains enormous. Further, the application of artificial intelligence by counterfeiters to

circumvent traditional anti-counterfeit measures will only make distinguishing fake from real ever harder.

That is why YPB is so well placed in being able to provide forensic level *physical and digital* confirmation of authenticity. Our solutions can be mixed and matched to client need in ways that AI will find difficult to break.

NVISO licence – building authentication solutions for the emerging ChatGPT AI world

Our observation of AI's counterfeiting possibilities has led to the recognition of AI's capacity to create a new, possibly more harmful and costly blight: - videos, photos, graphics, and text with the fake indistinguishable from the genuine. This has been best exemplified by the recent emergence of ChatGPT-created fakes and has opened up a new world of opportunity in authentication for YPB.

We expect the ability to identify fake digital media is likely to become critical to brand, institutional and personal integrity. Examples of possible harm from AI-created fakes include compromising faked videos, apparently perfect but faked documents, AI-generated essays and assignments, automated spam avalanches, and AI mass impersonation and disinformation campaigns.

That is why in mid-March 2023, we signed a 10-year licence with NVISO SA of Switzerland to develop solutions to offer a simple, accurate means of determining the authenticity of digital media.

NVISO's Artificial Intelligence (AI) applications algorithmically detect human behaviour and are designed to work with next generation human machine interfaces such as autonomous vehicles, companion robots and ChatGPT applications. Under the agreement, NVISO will develop interfaces to its core technology allowing YPB to build applications enabling anyone to determine the authenticity of a digitally generated video product. In its second phase, determination of authenticity of other AI-generated media will be developed.

YPB's AI-detection solutions will be marketed and distributed online and be widely available to corporates, governments, institutions, and individuals. Revenues are expected to be on a pay-per-authentication basis. The first solution targeting Deepfake videos is expected to be commercially released in Q3 2023.

The deeper we have gone with the NVISO relationship, the more potential we can see in this new space.

Clear financial improvement in 2023

The present year should prove a more rewarding one for shareholders than 2022:

- Our solution set is broader and more valuable than it was a year ago;
- Our selling skills and qualified pipeline have advanced considerably over the year;
- China should see an improved result as normal activity resumes post the seemingly interminable covid lockdowns;
- The launch of AI digital media authentication; and
- Our cost base will be held largely steady, other than a relatively modest increase with the NVISO development, offering significant profit leverage as we are able to grow revenues.

In closing, I'd like to thank the whole YPB team for their dedication and determination and shareholders for their support.

We are all focussed on YPB becoming a self-funding, successful entity and harvesting the as yet latent but substantial value of our intellectual property. We are match fit and determined to substantially lift shareholder value over the coming year.

John Houston, Executive Chairman and CEO

Directors' Report

The directors present their report and the financial statements of YPB Group Limited (the "Company") and its controlled entities (the "Consolidated Entity", the "Group") for the financial year ended 31 December 2022.

1. Directors and Company Secretary

The following persons were directors of the Company since the start of the financial year to the date of this report unless otherwise stated.

Executive Chairman

John Houston

Non-Executive Directors

Su (George) Su

Gerard Eakin

Company Secretary

Sebastian Andre (resigned 8 August 2022)

Lucy Rowe (appointed 8 August 2022)

Particulars of each director's experience and qualifications are set out later in this report.

2. Principal Activities

The principal activity of the Group during the financial year was as a sales, marketing and developer of anti-counterfeiting, product authentication and consumer engagement solutions to brand owners globally.

3. Review of Operations

Please refer to the Executive Chairman and CEO's report on page 3 of this Annual Report.

4. Financial Results

The reported net loss decreased 6% to \$3,301,603 (2021: 3,513,259). The EBITDA loss of \$3,204,052 for 2022 was 1% lower than that of 2021. Net cash used in operating activities of \$2,850,859 in 2022 (2021: \$3,532,766) was 19% lower than 2021.

Revenue decreased in 2022 to \$555,941 from 2021 at \$663,748 in 2021. However, a combination of a higher gross margin from changed product mix especially with anti-counterfeit allowed our gross profit contribution percentage continue to be 95% (2021: 95%).

Clearly, both the level of profitability and profit leverage from selling high intellectual property products is significant and will be a key driver of the company's push toward profitability.

2022 operating costs were 8% lower, an improvement of \$319,463 from 2021, which is the benefit as a result of the intense cost-out focus. 2022 is continuing to fully benefit from the cuts with further cost control initiatives being considered.

The remaining intangible asset is the patent licence rights of \$5,804,800 which represents the historical value of the MotifMicro acquisition less an accumulated impairment charge of \$2,992,248.

The impairment assessment in 2022 was performed internally via a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The impairment testing indicated that the recoverable amount of the patent licence rights exceeds the carrying amount and therefore no impairment was recognised during the financial year 2022 (2021: impairment loss of \$502,982). Key assumptions utilised are further detailed in Note 18 to the financial statements.

The loss recognised in prior periods can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

During 2022, a total of \$2,000,000 was raised via new equity placements to fund the ongoing operations of the Group. The net assets of YPB were \$4,320,216 as at 31 December 2022 (2021: \$5,385,854). Cash at balance date was \$641,408 (2021: \$531,477).

The Company has a history of securing external funding support as required. Given the strong technical and commercial progress being made, the Board considers it likely that external funding support will be available in future if and when necessary.

Significant Changes in State of Affairs

Other than the information set out in the CEO's report and activities section of this annual report, there are no significant change in the state of affairs that the Group has not disclosed.

5. Future Developments, Prospects and Business Strategies

See Executive Chairman's and CEO's Report on page 3.

6. Dividends Paid

No dividends have been paid or have been recommended for payment in respect of the financial year ended 31 December 2022.

7. Events Subsequent to Balance Date

The following events have occurred since 31 December 2022:

- On 20 January 2023, 200,000,000 unlisted options exercisable at \$0.005 were issued as consideration for the receipt of funds for convertible notes of \$1m. The unlisted options were provided to a related party (J F Houston Holdings Pty Ltd), who received the convertible notes. The options expire on 16 January 2026, and the convertible debt securities attract interest at 9% per annum. The issue of the convertible notes are pursuant to a subscription agreement entered into in October 2022 and were approved by shareholders at a general meeting of YPB held on 23 December 2022.
- On 27 February 2023, ALDUS PTY LTD and FMA HOLDINGS PTY LTD (Defendants) agreed to settle all legal matters with YPB Group Co Ltd (Plaintiff). Defendants paid the plaintiff \$250,000. Additionally, deposits totalling \$200,000 which had been placed into an escrow account to facilitate the proceedings were returned with accrued interest.
- On 8 March 2023, YPB announced it had secured a contract to enter into the US Pull Tab/instant lottery ticket market to offer authentication of tickets.
- On 16 March 2023, YPB announced it has signed a license agreement with Swiss based Nviso SA for its Artificial Intelligence (AI) based application to allow the Company to develop AI based authentication solutions initially to address the "Deepfake" video phenomenon.
- On 20 March 2023, YPB announced it had successfully closed the bookbuild for a A\$2m placement to sophisticated and professional investors.

Other than the above, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

8. Information on Directors and Company Secretary

John Houston

Executive Chairman

John Houston has over 40 years of international business experience in countries including Australia, New Zealand, Sri Lanka, Singapore, Thailand and Switzerland. John privately funded YPB initially and listed the Company on the ASX in 2014. John has extensive international experience including building a USD \$2 billion "Greenfield" mobile phone operation in Thailand, running a USD \$350m EBITDA mobile Company in Switzerland, and selling an international Broadband Company for a 70x multiple of EBITDA in a cash sale to NTT DoCoMo of Japan.

Other current public company directorships: Nil

Su (George) Su

Non-Executive Director

Mr Su is the CEO and Managing Director of Richlink Capital Pty Ltd which is the Australian operation of a Chinese financial services group headquartered in Beijing. He was born and educated in Beijing before continuing his education in the USA. He holds a Bachelor of Arts Degree in Business Administration from Hamline University, St Paul, Minnesota.

Previously, Mr Su headed CITIC Securities Australian operation between 2009 and 2013 with special focus on cross border transactions between Australia and China. Mr Su has lived and worked in China, Hong Kong, Singapore and Australia and now resides in Sydney. He has held senior positions in a Chinese government-controlled investment company, has been the managing director of a Singapore based venture group, has served as managing director of an ASX listed company and was an independent director of Macquarie Bank's China property fund between 2006 and 2014.

Other public company directorships held within the last 3 years: Carbon Energy Limited (ASX: CNX), which is delisted from ASX on 28 August 2019. No other current public company directorship held.

Gerard Eakin

Non-Executive Director

Mr Eakin has had a 35 year-plus career in Australian equities in both portfolio management and equity research. His focus has been identifying and supporting young companies with superior potential. He is the founder of Manifest Capital Management and manages Australian equity portfolios for a select group of high net-worth investors.

Previously, he was the Head of Australian Equities at Rothschild Australia Asset Management managing funds of approximately \$3 billion and the Head of Smaller Companies Research at JP Morgan/Ord Minnett and Merrill Lynch.

Other current public company directorships: Nil.

Sebastian Andre

Company Secretary

Resigned 8 August 2022

Sebastian Andre is a Chartered Secretary with over 10 years of experience in corporate advisory, governance and risk services. He has previously acted as an adviser at the ASX and has a thorough understanding of the ASX Listing Rules, specialising in providing advice to companies and their boards in respect to capital raisings, IPOs, backdoor listings, corporate compliance and governance matters. Mr Andre holds qualifications in accounting, finance and corporate governance and is a member of the Governance Institute of Australia.

Lucy Rowe

Company Secretary

Appointed 8 August 2022

Lucy Rowe is a Chartered Secretary with almost 15 years of experience in providing Company Secretarial services to ASX listed companies. She has worked as corporate secretary in various companies where her responsibilities included managing board processes, ensuring compliance with legal requirements with ASX, ASIC and other regulators, providing advice to directors, policy formulation and implementation, and managing additional board committees, among others.

9. Meetings of Directors

During the financial year, 11 formal board meetings of directors were held. During the year the full Board dealt with all relevant matters and no separate meetings of either the Remuneration or Audit Committees of the Board were held. Attendance by each director during the year was as follows:

Director	Board Meetings	
	Number eligible to attend	Number attended
John Houston	11	11
Gerard Eakin	11	11
Su (George) Su	11	11

10. Remuneration Report (Audited)

This section presents the nature and amount of remuneration for persons who were classified as Key Management Personnel (KMP) of the Group during the 2022 financial year.

Remuneration Policy

The remuneration policy of the Group has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and a variable (at risk) component. The Board of the Company believes the remuneration policy is appropriate for the current stage of development of the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive an agreed mix of fixed salary (which is based on factors such as experience and level of responsibilities), superannuation, fringe benefits and an annual cash performance incentive. The Group's Remuneration Committee will review and make recommendations to the Board in respect of executive packages on an annual basis. Reference will be made to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive. Performance criteria include factors relating to the responsibilities of each position as well as company-wide factors such as the forecast growth of the Group's profits. All bonuses are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and can recommend changes to the committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Where non-executive directors provide additional services to the Group, this must be approved in advance by the remuneration committee chair.

Performance Based Remuneration

As part of each executive director and executive's remuneration package there is a performance-based component, which is paid on achievement of key performance indicators ("KPIs"). The program seeks to align goals of directors and executives with that of the Company and its shareholders. The KPIs are reviewed annually by the Board in consultation with executives.

The measures are tailored to the areas each executive has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

There were no KPIs achieved for the year being the twelve months ended 31 December 2022 and as a result no performance payments were paid or are payable.

Details of Remuneration for the Year Ended 31 December 2022

The remuneration for each key management personnel is set out in the table below.

	Short-term Benefits		Post-employment	Share-based payments	
In \$	Monetary	Non-monetary	Superannuation benefits	Shares	Total
Executive Chairman					
John Houston ¹	180,424	289,507	-	-	469,931
Su (George) Su ²	-	-	-	40,000	40,000
Gerard Eakin ³	39,993	-	-	40,000	79,993
Executives					
Adrian Tan (CFO) ⁴	103,963	-	-	-	103,963
Martin Ross (COO)	190,000	-	-	-	190,000
	514,380	289,507	-	80,000	883,887

1: A portion of the salary of the CEO of \$289,507 for the period from January 2022 to December 2022 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash.

2: The director fee of \$40,000 for the period from January 2022 to December 2022 was settled by issuance of Performance Rights (PR) in lieu of cash settlement.

3: The director fee of \$40,000 for the period from January 2022 to December 2022 was settled by issuance of Performance Rights (PR) in lieu of cash settlement.

4: The salary of the CFO for the period from January 2022 to May 2022 had been paid out in cash in May 2022 including amounts accrued in the prior period totalling of \$191,544. With the departure of the CFO, Mr Colin Turner the Financial Controller was given an expanded role to oversee the re-build of the Finance team in Thailand.

Details of Remuneration for the Year Ended 31 December 2021

The remuneration for each key management personnel is set out in the table below.

	Short-term Benefits		Post-employment	Share-based payments	
In \$	Monetary	Non-monetary	Superannuation benefits	Shares	Total
Executive Chairman					
John Houston ¹	169,274	265,786	-	-	435,060
Su (George) Su ²	-	-	-	40,000	40,000
Gerard Eakin ³	59,992	-	-	40,000	99,992
Executives					
Adrian Tan (CFO) ⁴	131,639	119,854	-	-	251,493
Martin Ross	190,000	-	-	-	190,000
	550,905	385,640	-	80,000	1,016,545

1: A portion of the salary of the CEO of \$265,786 for the period from January 2021 to December 2021 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash. In December 2021, accrued salary for thirteen months of \$321,457 was settled via issuance of shares in lieu of cash settlement.

2: The director fee of \$40,000 for the period from January 2021 to December 2021 was settled by issuance of Performance Rights (PR) in lieu of cash settlement. Vesting date of the PRs is 31 December 2021, with expiry date on 30 June 2022.

3: The director fee of \$40,000 for the period from January 2021 to December 2021 was settled by issuance of Performance Rights (PR) in lieu of cash settlement. Vesting date of the PRs is 31 December 2021, with expiry date on 30 June 2022.

4: A portion of the salary of the CFO of \$119,854 for the period from January 2021 to December 2021 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash. During the year, accrued salary for three months of \$34,500 was paid out in cash, and accrued salary for nine months of \$89,772 was settled via issuance of shares in lieu of cash settlement.

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Consolidated 25:1	Received as part of Prior Year remuneration	Conversion from exercise of Performance rights	Disposals/ Other	Balance at the end of the year
<i>Group KMP</i>						
John Houston	1,343,083,273	53,723,332	-	-	-	53,723,332
Su (George) Su	9,623,989	384,960	-	727,273	-	1,112,233
Gerard Eakin	7,928,571	317,143	-	727,273	-	1,044,416
Adrian Tan ¹	159,650,693	6,386,028	-	-	6,386,028	-
Martin Ross	20,772,947	830,918	-	-	(300)	830,618
	<u>1,541,059,473</u>	<u>61,642,381</u>	<u>-</u>	<u>1,454,546</u>	<u>6,385,728</u>	<u>56,710,599</u>

1: Adrian Tan resigned on 31 May 2022 and the disposal reflects him no longer being a member of key management personnel of the Group after that date.

Options and performance rights

There were performance rights over ordinary shares in the Company that were granted as compensation to key management persons during the year ended 31 December 2022.

Options and performance rights over equity instruments

The movement during the year, by the number of rights and options over ordinary shares in YPB Group Limited held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 Jan-22	Consolidated 25:1	Granted	Exercised	Lapsed	Held at 31 Dec-22	Vested and exercisable	Unvested
Options								
John Houston	-	-	-	-	-	-	-	-
Su (George) Su	-	-	-	-	-	-	-	-
Gerard Eakin	-	-	-	-	-	-	-	-
Performance rights								
John Houston	-	-	-	-	-	-	-	-
Su (George) Su	18,181,818	727,273	800,000	(727,273)	-	800,000	800,000	-
Gerard Eakin	18,181,818	727,273	800,000	(727,273)	-	800,000	800,000	-
Adrian Tan	-	-	-	-	-	-	-	-
Martin Ross	4,000,000	160,000	-	-	(160,000)	-	-	-

Employment Contracts of Directors and Senior Executives

The terms of employment for all directors and senior executives are formalised in contracts of employment. The key terms of the contracts with Directors and specified executives except the Executive Chairman are:

- none of the contracts have fixed terms;
- resignation period or termination by the Group is between one- and six-months' notice; and
- termination or redundancy payments by the Group are not specifically provided for in the contracts, however, will be payable in accordance with relevant Federal or State legislation.

The services of the Executive Chairman are provided pursuant to a Contract with a Service Company.

The contract was renewed for a further 3-year period after the expiration of the first 3-year period which commenced from the date of the completion of the Share Sale and Purchase Agreement, includes the following key terms:

- Resignation period or termination by the Group is twelve months' notice;
- Termination or redundancy payments by the Group are not specifically provided for in the contracts, however, will be payable in accordance with the relevant Federal or state legislation; and
- No termination payments are payable in respect of resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Group can terminate employment at any time.

Other transactions with key management personnel

A number of key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. See Note 28 to the financial statements for related parties' disclosures.

From time to time, directors of the Group, or their related entities may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers, and are trivial or domestic in nature.

11. Indemnification of Directors, Officers and Auditor

Pursuant to Article 103 of its Constitution, the Company insures and indemnifies its current and former directors and officers, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith.

Each Director and Secretary named in the Directors and Secretary section of this report and any past director or secretary, has entered into a Deed of Indemnity with the Company on these terms. No indemnity has been provided to the Company's auditor.

12. Insurance Premiums

The Company has paid an insurance premium in respect of a contract insuring against liability of Directors and Officers in accordance with the Company's Constitution and the *Corporations Act 2001*.

The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liability insured against. The Company has paid the insurance premium in respect of cover which may apply in relation to liabilities of the type referred to in Section 199B of the *Corporations Act 2001*.

13. Non-Audit Services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that non-audit services provided by the auditor, or its network firms, did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

14. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2022 will be included on page 23 of this Annual Report.

15. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

16. Rounding of Amounts

Amounts in the financial statements have been rounded off to the nearest dollar.

17. Total Options on Issue

At the date of this report, there are 2,560,000 options over unissued shares in YPB Group Ltd as set out below:

Number	Exercise price	Expiry date
640,000	\$11.25	12 December 2026
640,000	\$13.75	12 December 2026
640,000	\$16.25	12 December 2026
640,000	\$8.75	12 December 2026
<u>2,560,000</u>		

Signed in accordance with a resolution of the Board of Directors



John Houston
Executive Chairman and CEO

Dated this 31st day of March 2023

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF YPB GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2022, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of YPB Group Limited and the entities it controlled during the year.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

BRISBANE
31 MARCH 2023

Financial Report

31 December 2022

YPB Group Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

		Consolidated	
	Note	2022	2021
		\$	\$
Revenue	9	555,941	663,748
Expenses			
Production costs		(26,824)	(32,440)
Consulting fees		(786,354)	(702,036)
Depreciation and amortisation expense		(22,920)	(101,393)
Directors' fees		(80,000)	(80,000)
Employee benefits expense		(1,251,619)	(1,667,256)
Finance costs		(74,631)	(227,009)
Rental expenses		(99,260)	(84,517)
Research and development		(683,828)	(384,094)
Marketing expense		(49,711)	(43,390)
Investor relations		(128,780)	(321,713)
Travelling expense		(129,572)	(38,501)
Share-based payments		(377,416)	(8,078)
Regulatory expenses		(121,071)	(186,773)
Professional fees		(211,362)	(184,486)
Other expenses		(549,206)	(748,713)
Exchange gain/(loss)		735,010	1,091,717
(Loss)/gain on extinguishment of financial liabilities via equity settlement		-	44,657
Impairment of goodwill and other intangible assets		-	(502,982)
Loss before income tax	10	(3,301,603)	(3,513,259)
Income tax (expense)/benefit	11	-	-
Net loss after tax for the year attributable to the owners of YPB Group Ltd		(3,301,603)	(3,513,259)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(415,180)	(749,194)
Other comprehensive income/(loss) for the year, net of tax		(415,180)	(749,194)
Total comprehensive loss or the year attributable to owners of YPB Group Ltd		(3,716,783)	(4,262,453)
		Cents	Cents
Basic earnings/(loss) per share	33	(1.02)	(0.07)
Diluted earnings/(loss) per share	33	(1.02)	(0.07)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of financial position
As at 31 December 2022

		Consolidated	
		2022	2021
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	641,408	531,477
Trade and other receivables	13	328,987	321,403
Other assets	14	374,685	329,695
Inventories	15	193,464	209,277
Total current assets		1,538,544	1,391,852
Non-current assets			
Plant and equipment	16	31,821	50,106
Right-of-use assets	17	-	-
Intangible assets	18	5,804,800	5,419,929
Total non-current assets		5,836,621	5,470,035
Total assets		7,375,165	6,861,887
Liabilities			
Current liabilities			
Trade and other payables	19	2,033,793	1,476,033
Financial liabilities	20	1,021,085	-
Total current liabilities		3,054,878	1,476,033
Total liabilities		3,054,878	1,476,033
Net assets		4,320,287	5,385,854
Equity			
Issued capital	21	83,877,039	81,773,800
Reserves	22	2,406,357	3,040,859
Accumulated losses		(81,963,109)	(79,428,805)
Total equity		4,320,287	5,385,854

The above statement of financial position should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2022

Consolidated	Issued capital	Foreign currency translation reserve	Issued options	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,805)	5,385,854
Prior period adjustment	-	-	-	-	(45)	(45)
Adjusted balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,850)	5,385,809
Loss after income tax for the year	-	-	-	-	(3,301,603)	(3,301,603)
Other comprehensive income for the year, net of tax	-	(415,180)	-	-	-	(415,180)
Total comprehensive income/(loss) for the year	-	(415,180)	-	-	(3,301,648)	(3,716,783)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	2,103,239	-	-	-	-	2,103,239
Performance rights lapsed during the period	-	-	-	(80,805)	-	(80,805)
Performance rights issued during the year	-	-	-	418,827	-	418,827
Options granted during the year	-	-	210,000	-	-	210,000
Options lapsed during the year	-	-	(767,344)	-	767,344	-
Balance at 31 December 2022	83,877,039	1,777,530	210,000	418,827	(81,963,109)	4,320,287

The above statement of changes in equity should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2022

Consolidated	Issued capital	Foreign currency translation reserve	Issued options	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	77,664,696	2,941,904	2,040,000	-	(77,983,762)	4,662,838
Prior period adjustment ¹	-	-	-	-	28,216	28,216
Adjusted balance at 1 January 2021	77,664,696	2,941,904	2,040,000	-	(77,955,546)	4,691,054
Loss after income tax for the year	-	-	-	-	(3,513,259)	(3,513,259)
Other comprehensive income for the year, net of tax	-	(749,194)	-	-	-	(749,194)
Total comprehensive income/(loss) for the year	-	(749,194)	-	-	(3,513,259)	(4,262,453)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	2,985,259	-	-	-	-	2,985,259
Performance rights exercised during the year	-	-	-	80,805	-	80,805
Options granted during the year	-	-	767,344	-	-	767,344
Options exercised during the year	750,000	-	(1,275,000)	-	1,275,000	750,000
Options lapsed during the year	-	-	(765,000)	-	765,000	-
Share-based payments	373,845	-	-	-	-	373,845
Balance at 31 December 2021	81,773,800	2,192,710	767,344	80,805	(79,428,805)	5,385,854

Note 1: The prior period adjustment arose from YPB Limited ("YPB HK"), a wholly-owned subsidiary of the Consolidated Entity, resulting from the audit of its financial statements for periods 1 April 2020 to 31 December 2020 completed during 2021.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of cash flows
For the year ended 31 December 2022

		Consolidated	
	Note	2022	2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		500,981	669,109
Payments to suppliers and employees		(3,300,679)	(4,006,904)
Interest received		2,385	1,657
Finance costs		(53,546)	(196,628)
Net cash used in operating activities	31	(2,850,859)	(3,532,766)
Cash flows from investing activities			
Payments for plant and equipment		(3,842)	(12,000)
Proceeds from disposal of plant and equipment		235	14,000
Funds on deposit in escrow		-	(70,000)
Net cash used in investing activities		(3,607)	(68,000)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		2,030,384	3,518,448
Proceeds from exercise of options		-	750,000
Proceeds from borrowings		1,500,000	-
Repayment of borrowings		(500,000)	(1,614,992)
Payment of lease liabilities		-	(69,246)
Net cash from financing activities		3,030,384	2,584,210
Net (decrease)/increase in cash and cash equivalents		175,918	(1,016,556)
Cash and cash equivalents at the beginning of the financial year		531,477	1,558,429
Effect of movements in exchange rates on cash held		(65,987)	(10,396)
Cash and cash equivalents at the end of the financial year	12	641,408	531,477

The above statement of cash flows should be read in conjunction with the accompanying notes.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

1. Reporting entity

YPB Group Limited (the "Company") is domiciled in Australia.

The Company's registered office is at Level 5, 126 Philip Street, Sydney NSW 2000. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The separate financial statements of the parent entity, YPB Group Limited, have not been presented within the financial report as permitted by Corporations Act 2001. Parent company financial information is disclosed in Note 29.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

2. Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 31 March 2023.

The Group's accounting policies have been consistently applied unless stated otherwise, and are disclosed in Note 6 *Significant Accounting Policies*.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

i. Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet all its commitments, and the Group will be cash flow positive for at least the next 12 months from the date of this report.

The Group incurred an operating loss after income tax of \$3,301,603 and had a deficiency of operating cash flows of \$2,850,859 for the year ended 31 December 2022. As at 31 December 2022, the Group has cash and cash equivalents of \$641,408 and a deficiency in net current assets of \$1,516,334.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

While preparing the cash flow forecasts, the Directors noted the following:

- Confidence in achieving the forecasted sales growth for 2023 based upon the roadmap to develop and commercialise the core YPB products, and continuing to grow the opportunity pipeline in key industries and sectors and ultimately convert into revenue;
- The Group is continuing to take initiatives which aim to reduce operating costs and focus on value-added activities;
- The Company has secured on 20 March 2023 commitments from investors to subscribe for A\$2m of shares and options in the Company as announced;
- The Group will consider external funding including support from related parties in the future, if and when necessary.

On this basis, the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

3. Functional and presentational currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

4. Rounding of amounts

Amounts in the consolidated financial statements and directors' report have been rounded off to the nearest dollar.

5. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 18 Intangibles
- Note 22 Reserves – Share-based payment

6. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see Note 7).

A. Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent YPB Group Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 30.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary YPB Limited (HK) (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, YPB Group Limited (formerly AUV Enterprises Limited) (the acquiree for accounting purposes).

B. Revenue and other income

The Group considers the following for revenue recognition:

- whether a contract exists;
- performance obligations identified within the contract;
- determine transaction price;
- allocate the transaction price to the performance obligations; and
- recognise revenue when performance obligations are satisfied.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the performance obligations are satisfied.

Revenue recognition relating to the provision of services is determined with reference to the completion of the performance obligations identified in the contract.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue generated by the Group is categorised as a bundled “complete solution offering” which encompasses a range of products and services which are available to customers, including:

- Digital engagement platform;
- Covert forensic products;
- Forensic laboratory and Security consulting services; and
- Brand protection labelling solutions.

Digital engagement platform

The Group provides a cloud-based customer digital engagement and analytics platform that enables brands to form a unique relationship with customers. Revenue is recognised at the time when the performance obligation of providing the reports from the customer engagement platform are completed.

Covert forensic products

The Group manufactures and sell covert forensic products. Revenue is recognised at the time when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer.

Forensic laboratory and Security consulting services

The Group provides forensic strategies and solutions that allow brands to implement, monitor and manage highly advanced anti-counterfeiting programs. Services can be contracted as once off or over a contract duration ranging from three months to three years. During the term of the contract, the Group stands ready to provide the consulting services to the brands, with revenue recognised on a straight-line basis over the contract term.

Brand protection labelling solutions

The Group purchases and sells brand protection labelling products. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

All revenue is stated net of the amount of goods and services tax.

Interest revenue is recognised using the effective interest method.

C. Foreign currency transactions and balances

i. Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

ii. Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge and except where net investment policy applies. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise, the exchange difference is recognised in profit or loss.

iii. Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars in which the settlement of the monetary items is neither planned nor likely to occur in the foreseeable future are included as a net investment in the foreign operations.

D. Employee benefits

i. Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

ii. Share-based payment arrangements

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares, options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

E. Finance income and finance costs

The Group's finance income and finance costs include:

- Interest expense; and
- Foreign currency gain or loss on financial assets and liabilities

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

F. Income tax

The income tax expense/(income) for the period comprises current income tax expense/(income) and deferred tax expense/(income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

G. Tax consolidation

The Company and its wholly owned Australian subsidiaries have formed a tax-consolidated group with effect from 6 April 2004 and are therefore taxed as a single entity from that date. The head entity of the tax-consolidated group is YPB Group Limited. YPB Group Limited is responsible for recognising the current and deferred tax assets and liabilities for the consolidated group. The tax-consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax-consolidated group.

H. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

I. Plant and equipment

Plant and equipment are carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

i. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

J. Intangible assets and goodwill

i. Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research and development	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Intellectual property and patent license rights	Intellectual property and patent license rights that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives when the asset is in its intended use, and is generally recognised in profit or loss. Goodwill is not amortised.

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The estimated useful lives for current and comparative periods are as follows:

- Intellectual property 5 – 20 years
- Patent license rights 15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Financial instruments

i. Initial Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially recognised at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has legally enforceable rights to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

L. Share Capital

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 132.

M. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in Australian dollar that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion. The equity component is initially recognised at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

N. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measure at amortised cost; and
- Contract assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

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Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period of which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contracts assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

O. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

P. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the economic entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Q. Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the economic entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

R. Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

S. Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

7. New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

8. Operating segments

Identification of reportable operating segments

Management determines operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

Types of products and services

For the year ended 31 December 2022, management considers the Group to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represented by one business segment apart from a minor specialised anti-counterfeit printing operation.

The bundled "complete solution offering" encompasses a range of products and services which are available to customers, including:

- Digital engagement platform that provides brand engagement with end consumers to promote product authenticity;
- Covert forensic products which are invisible particles ('tracers') fused into a product or packaging during or after the manufacturing process and are detectable using YPB's proprietary scanner or using an app on a smartphone device;
- Forensic laboratory services for the examination of counterfeit products;
- Security consulting services provided to governments, corporations and intellectual property owners for the deterrence of counterfeiting, grey markets, product diversions and fraud; and
- Brand protection labelling solutions effective for sellers, brands and product owners.

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(a) Geographical information

2022

<i>In \$</i>	Reportable segments				Total
	Australia	People's Republic of China	Thailand	United States of America	
External revenue	296,464	254,690	-	-	551,154
Interest income	2,372	-	14	-	2,385
Other income	175	2,227	-	-	2,402
Total revenue	299,011	256,917	14	-	555,941

2021

External revenue	317,130	321,599	-	-	638,729
Interest income	1,435	-	-	222	1,657
Other income	-	6,187	17,175	-	23,362
Total revenue	318,565	327,786	17,175	222	663,748

(b) Assets

2022

<i>In \$</i>	Reportable segments				Total
	Australia	People's Republic of China	Thailand	United States of America	
Current assets	1,050,141	307,769	180,187	446	1,538,544
Non-current assets	-	10,783	16,927	5,808,911	5,836,621
Total assets	1,050,141	318,552	197,114	5,809,357	7,375,165

2021

Current assets	755,426	307,210	328,800	416	1,391,852
Non-current assets	-	11,920	29,585	5,428,530	5,470,035
Total assets	755,426	319,130	358,385	5,428,946	6,861,887

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9. Revenue

	Consolidated	
	2022	2021
	\$	\$
<i>Revenue</i>		
Sale of goods and services		
- Digital engagement platform	119,076	295,229
- Covert forensic products	406,451	334,924
- Brand protection labelling solutions	25,627	8,576
	<u>551,154</u>	<u>638,729</u>
<i>Other revenue</i>		
Interest	2,385	1,657
Other income	2,402	23,362
	<u>555,941</u>	<u>663,748</u>

10. Loss for the period

The loss for the period includes the following expenses:

	Consolidated	
	2022	2021
	\$	\$
Finance costs	74,631	227,009
Research and development costs	683,828	384,094
Depreciation and amortisation	22,920	101,393
Inventories written off	-	(2,069)
Impairment of goodwill and other intangible assets	-	502,982
Rental expense on operating leases – minimum lease payments	99,260	84,517
Loss/(gain) on extinguishment of financial liabilities via equity settlement	-	(44,657)
	<u>880,639</u>	<u>1,253,269</u>

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11. Income tax benefit

	Consolidated	
	2022	2021
	\$	\$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax	(3,301,603)	(3,513,259)
Tax at the statutory tax rate 25% (2021: 26.0%)	(825,401)	(913,447)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
• Offshore expenses not deductible	94,480	104,419
• Non-allowable expenses	(176,364)	(124,964)
• Share-based payments expensed during the year	94,354	2,100
• Tax losses not recognised	873,710	873,710
	60,797	(58,182)
Difference in overseas tax rates	60,797	58,182
Research and development tax incentive	-	-
Income tax (expense)/benefit	-	-
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
• Deductible temporary differences	194,473	123,193
• Tax losses	12,981,420	12,107,710
	13,175,893	12,230,903

12. Cash and cash equivalents

	Consolidated	
	2022	2021
	\$	\$
Cash on hand	1,318	1,739
Cash at bank	640,090	529,738
	641,408	531,477

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13. Trade and other receivables

	Consolidated	
	2022	2021
	\$	\$
Trade receivables	215,437	130,433
Less: Allowance for doubtful debts	(73,243)	(69,840)
	<u>142,194</u>	<u>60,593</u>
GST/VAT receivables	89,355	166,588
Other receivables	97,438	94,222
	<u>328,987</u>	<u>321,403</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2022 is determined as follows; the expected credit losses incorporating forward-looking information.

	Current	More	More	More than	Total
	\$	than 30	than 60	90 days	\$
	\$	days past	days past	past due	
	\$	due	due	\$	\$
2022					
Expected loss rate	0%	0%	0%	72.2%	
Gross carrying amount	82,421	26,052	5,553	101,411	215,437
Loss allowing provision	-	-	-	(73,243)	(73,243)
2021					
Expected loss rate	0%	0%	0%	94.6%	
Gross carrying amount	56,019	250	-	74,164	130,433
Loss allowing provision	-	-	-	(69,840)	(69,840)

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14. Other assets

	Consolidated	
	2022	2021
	\$	\$
Escrow account	200,929	200,929
Rental deposits	34,485	34,138
Prepaid rent	10,492	4,421
Prepayments	128,779	90,207
	<u>374,685</u>	<u>329,695</u>

15. Inventories

	Consolidated	
	2022	2021
	\$	\$
Finished goods – at cost	193,464	209,277
Less: Allowance for slow-moving inventories	-	-
	<u>193,464</u>	<u>209,277</u>

16. Plant and equipment

	Consolidated	
	2022	2021
	\$	\$
At cost	213,241	206,217
Accumulated depreciation	(181,420)	(156,111)
	<u>31,821</u>	<u>50,106</u>

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Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	\$
Balance at 1 January 2021	60,757
Additions	12,000
Disposals	(18,017)
Depreciation	(25,404)
Effects of movements in exchange rates	20,770
Balance at 31 December 2021	<u>50,106</u>
Balance at 1 January 2022	50,106
Additions	3,842
Disposals	(247)
Depreciation	(22,927)
Effect of movement in exchange rates	1,047
Balance at 31 December 2022	<u><u>31,821</u></u>

17. Right-of-use assets

	Consolidated	
	2022	2021
	\$	\$
At cost	-	380,567
Accumulated depreciation	-	(380,567)
	<u>-</u>	<u>-</u>

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Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	\$
Balance at 1 January 2021	78,365
Additions	-
Disposals	-
Depreciation	(75,235)
Effect of movement in exchange rates	(3,130)
Balance at 31 December 2021	-
Balance at 1 January 2022	-
Additions	-
Disposals	-
Depreciation	-
Effect of movement in exchange rates	-
Balance at 31 December 2022	-

18. Intangible assets

	Consolidated	
	2022	2021
	\$	\$
Goodwill – at cost	3,089,466	3,089,466
Less: Accumulated impairment losses	(3,089,466)	(3,089,466)
	-	-
Intellectual property – at cost	16,250,550	16,250,550
Less: Accumulated amortisation	(4,942,153)	(4,942,153)
Less: Accumulated impairment losses	(11,308,397)	(11,308,397)
	-	-
Customer relationship – at cost	206,000	206,000
Less: Accumulated amortisation	(28,000)	(28,000)
Less: Accumulated impairment losses	(178,000)	(178,000)
	-	-
Patent licence rights – at cost	8,797,048	8,213,892
Less: Accumulated impairment losses (i)	(2,992,248)	(2,793,963)
	5,804,800	5,419,929

(i): The increase in the accumulated impairment loss for 2022 is due to the effect of foreign exchange only.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Patent licence rights \$'	Total \$'
Balance at 1 January 2021	5,580,000	5,580,000
Additions	-	-
Effect of movement in exchange rates	342,911	342,911
Impairment loss	(502,982)	(502,982)
Balance at 31 December 2021	<u>5,419,929</u>	<u>5,419,929</u>
Balance at 1 January 2022	5,419,929	5,419,929
Additions	-	-
Effect of movement in exchange rates	384,871	384,871
Impairment loss	-	-
Balance at 31 December 2022	<u>5,804,800</u>	<u>5,804,800</u>

Intangible assets, other than goodwill, have finite useful lives. The current period amortisation charge for intangible assets is included under the depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

Patent Licence Rights

Effective in December 2017, the Group acquired MotifMicro's patented licence rights to develop and commercialise its secure smartphone readable authentication technology. The non-replicable invisible micro-barcode technology works whereby the smartphone becomes the authentication device for uncopyable, invisible and indestructible physical marking technology.

The Group owns MotifMicro's patented licence rights to develop and commercialise its secure smartphone readable authentication technology. The non-replicable invisible micro-barcode technology works whereby the smartphone becomes the authentication device for uncopyable, invisible and indestructible physical marking technology.

As the technology is still in the development phase and under commercial trials during the period ended 31 December 2022, the patent licence rights have not commenced amortisation, however impairment adjustments have been recorded in prior years to its carrying amount. MotifMicro's development in 2022 was advanced through a number of technological achievements together with customers that signed first-adopter agreements to expedite its commercialisation in the market. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

Impairment testing indicated that the recoverable amount of the patent licence rights exceeds the carrying amount and therefore no impairment is considered necessary as at 31 December 2022. The valuation methodology ('value in use' or

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For the year ended 31 December 2022

'VIU') model reflects updated forecasts and progress made on the MotifMicro technology.

The following key assumptions and results arising from the VIU methodology applied are as follows:

- Revenue growth from conversion of sales pipeline of \$271,040 for FY2023 with an annual long-term growth rate of 12.5% until 2027 that follows the industry growth rate with a long-term annual growth rate of 2% thereafter;
- Discounted cash flow modelling to 2034 (the expiry date of the patent licence) with no terminal value;
- A WACC of 26.81% (post-tax) assuming a long-term debt/equity ratio of nil; and
- The group securing sufficient funding in future periods to continue as a going concern.

19. Trade and other payables

	Consolidated	
	2022	2021
	\$	\$
Trade payables	982,221	658,490
Other payables and accruals	1,051,572	817,543
	<u>2,033,793</u>	<u>1,476,033</u>

20. Financial liabilities

	Consolidated	
	2022	2021
	\$	\$
Related party loans - (i)	1,021,085	-
	<u>1,021,085</u>	<u>-</u>

(i): During the year, the Consolidated Entity obtained a total of \$1,000,000 (2021: Nil) of short-term borrowings from a related party, repayable within 12 months from the commencement date, and at an interest of 16.73% per annum (or part thereof).

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21. Equity – Issued Capital

	2022	Consolidated	2022	2021
	Shares	Shares	\$	\$
Ordinary shares – fully paid	406,546,153	6,117,833,701	83,877,039	81,773,800

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 January 2021	4,228,358,979	77,664,696
Issuance as payment to service provider	29 January 2021	117,692,309	294,231
Conversion of options	29 January 2021	375,000,000	750,000
Share placements	11 March 2021	250,000,000	750,000
Issuance as payment to service provider	9 April 2021	20,769,230	62,308
Share placements	26 October 2021	909,090,914	3,000,000
Issuance as payment to service provider	27 October 2021	30,000,000	90,000
Issuance as payment to employee	29 December 2021	186,922,269	373,845
Less: Transaction costs on share issued, net of tax			(1,211,280)
Balance	31 December 2021	6,117,833,701	81,773,800
Balance	1 January 2022	6,117,833,701	81,773,800
Consolidation 25:1	30 May 2022	244,713,348	81,773,800
Balance	30 May 2022	244,713,348	81,773,800
Conversion of options	30 May 2022	1,454,922	72,727
Share placements	5 July 2022	160,377,883	2,030,384
Balance	31 December 2022	406,546,153	83,877,039

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2022

22. Reserves

		Consolidated	
		2022	2021
	Note	\$	\$
Issued options reserve	(a)	210,000	767,344
Share-based payment reserve	(b)	418,827	80,805
Foreign currency translation reserve	(c)	1,777,530	2,192,710
		<u>2,406,357</u>	<u>3,040,859</u>

(a) Issued options reserve

The option reserve records items recognised as expenses on valuation of share options issued.

Details	Date	Options	\$
Balance	1 January 2021	664,000,000	2,040,000
Options exercised	29 January 2021	(375,000,000)	(1,275,000)
Options lapsed	29 January 2021	(225,000,000)	(765,000)
Options granted	23 February 2021	326,923,077	644,690
Options granted to investors of capital raises	23 February 2021	1,402,084,825	-
Options granted	9 April 2021	57,692,308	122,654
Options granted to investors of capital raise	9 April 2021	250,000,000	-
Options granted to investors of capital raise	29 December 2021	1,363,636,366	-
Balance	31 December 2021	<u>3,464,336,576</u>	<u>767,344</u>
Balance	1 January 2022	3,464,336,576	767,344
Options expired	23 February 2022	(3,400,336,576)	(767,344)
Balance	23 February 2022	64,000,000	-
Consolidated 25:1	30 May 2022	2,560,000	-
Options granted to investors of capital raises	5 July 2022	140,000,000	210,000
Balance	31 December 2022	<u>142,560,000</u>	<u>210,000</u>

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Options issued during the year were valued based on the following assumptions:

Weighted average terms (years)	2.003
Weighted average remaining life at 31 December 2022 (years)	1.493

Details of options issued during the year are as follows:

Quantity	Issue date	Exercise price	Expiry date	Value per option
70,000,000	5 July 2022	0.0236	5 July 2024	0.003
70,000,000	5 July 2022	0.0236	5 July 2024	-

The option reserve records items recognised as expenses on valuation of share options issued.

(b) Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services rendered.

Details	Date	\$
Balance	31 December 2021	80,805
Performance Rights reversed	29 April 2022	(8,078)
Performance Rights issued under share-based payments	29 April 2022	389,533
Performance Rights converted to shares	30 May 2022	(72,727)
Performance Rights issued under share-based payments	30 May 2022	80,000
Revaluation share-based payments ending period	31 December 2022	<u>(50,707)</u>
Balance	31 December 2022	<u>418,826</u>

(c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Exchange differences arising from monetary items that forms part of the Group's net investment in foreign operations are recognised as foreign currency translation reserve in equity.

23. Capital management

Management controls the capital of the group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital, convertible loan notes and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

		Consolidated	
	Note	2022	2021
		\$	\$
Total borrowings	20	1,021,085	-
Less: Cash and cash equivalents	12	(641,408)	(531,477)
Net (cash) / debt		379,677	(531,477)
Total equity		4,320,216	5,385,854
Debt-to-Equity ratio		8.79%	9.87%

24. Financial instruments

Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

i. Risk Management framework

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

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ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets represents the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month. In monitoring credit risk, customers are grouped according to their risk characteristics, including their industry, trading history with the Group and existence of previous financial difficulties.

At 31 December 2022 and 2021, the exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount	
	2022	2021
	\$	\$
Australia	106,131	32,485
People's Republic of China	53,033	45,405
Thailand	-	-
United States of America	56,273	52,543
	<u>215,437</u>	<u>130,433</u>

Refer to Note 13 on Expected Credit Loss assessment for trade receivables.

Cash and cash equivalents

As at 31 December 2022, the Group held cash and cash equivalents of \$641,408 (2021: \$531,000). The cash and cash equivalents are held with bank, which are AA1- to AA+, based on S&P ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- Obtaining funding from a variety of sources;
- Managing credit risk related to financial assets; and
- Only investing surplus cash with major financial institutions.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Consolidated – 2022	Carrying amount	1 year or less	Between 1 and 5 years
<i>In \$</i>			
Trade and other payables	2,033,793	2,033,793	-
Financial liabilities	1,021,085	1,021,085	-
	<u>3,054,878</u>	<u>3,054,878</u>	<u>-</u>
Consolidated – 2021	Carrying amount	1 year or less	Between 1 and 5 years
<i>In \$</i>			
Trade and other payables	1,476,033	1,476,033	-
Financial liabilities	-	-	-
	<u>1,476,033</u>	<u>1,476,033</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

iv. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Chinese Yuan (RMB), Thai Baht (THB), and US Dollar (USD). The currencies in which these transactions are primarily denominated are RMB, THB, and USD.

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Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risks as reported to the management of the Group is as follows:

Consolidated - 2022	RMB	THB	USD
	\$	\$	\$
Cash and cash equivalents	245,842	646	380,157
Trade and other receivables	245,275	40,832	-
Trade and other payables	(294,493)	(10,517)	(388,658)
Borrowings	(26,768,817)	-	-
	<u>(26,572,193)</u>	<u>30,961</u>	<u>8,501</u>
Consolidated - 2021	RMB	THB	USD
	\$	\$	\$
Cash and cash equivalents	204,909	454,010	594
Trade and other receivables	210,000	-	38,125
Trade and other payables	(273,726)	(550,215)	(51,000)
	<u>141,183</u>	<u>(96,205)</u>	<u>(12,281)</u>

Sensitivity Analysis

Based on the financial instruments held at 31 December 2022, had the Australian dollar weakened/strengthened by 7% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been \$13,700 lower/higher (2021: \$2,000 lower/higher).

Had the Australian dollar weakened/strengthened by 2% against the Chinese Yuan with all other variables held constant, the Group's post-tax profit for the period would have been \$5,800 higher/lower (2021: \$3,000 higher/lower).

Had the Australian dollar weakened/strengthened by 3% against the Thai Baht with all other variables held constant, the Group's post-tax profit for the period would have been \$11,700 higher/lower (2021: \$800 higher/lower).

v. Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

25. Key management personnel disclosures

Directors

The following persons were directors of YPB Group Limited during the financial year ended 31 December 2022:

John Houston (Executive Chairman)
 Su (George) Su
 Gerard Eakin

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Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year ended 31 December 2022:

Adrian Tan (Chief Financial Officer) (resigned 31 May 2022)

Martin Ross (Chief Operating Officer) (appointed 31 May 2022)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the years ended 31 December 2022 and 2021.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	803,887	746,545
Post-employment benefits	-	-
Share-based payments	80,000	80,000
	<u>883,887</u>	<u>826,545</u>

Short-term employee benefits

These amounts include fees and benefits paid to executive and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to other KMP.

Share-based payments

These amounts represent the expense related to participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the years ended 31 December 2022 and 2021.

26. Remuneration of auditor

During the financial year, the following fees were paid or payable for services provided by the auditors of the Company and unrelated firms:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services – PKF Brisbane Audit</i>		
• Audit or review of the financial report	75,000	66,500
<i>Component auditors – Non-PKF</i>		
• Audit or review of the financial report	9,910	13,602
Other services – non-audit	-	10,400

27. Operating leases

	Consolidated	
	2022	2021
	\$	\$
Within one year	-	70,991
	-	70,991

28. Related parties' transactions

Parent entity

YPB Group Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 30.

Key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

Some of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's length basis.

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The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

Transaction	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Manifest Capital Management Pty Ltd (related entity of Gerard Eakin)</i>				
Investor relations	39,993	60,000	3,333	11,332
<i>J F Houston Holdings Pty Ltd (related entity of John Houston)</i>				
Short-term borrowings to YPB Group Ltd	1,000,000	-	1,000,000	-
Interest on short-term borrowings	21,085	-	21,085	-
	<u>1,021,085</u>	<u>-</u>	<u>1,021,085</u>	<u>-</u>

Other related party and KMP transactions

Extinguishment of liabilities through the issue of equity instruments

As outlined in Note 20, during the year the Group elected to extinguish liabilities held, including payables to key management personnel via the issue of equity instruments. The following issues related to key management personnel and where relevant, were approved in a general meeting of shareholders:

- 800,000 Performance Rights (PR) were issued to George Su in lieu of payment for director's fee for the financial year ended 31 December 2022. The PRs were issued at \$0.05 exercise price per PR.
- 800,000 Performance Rights (PR) were issued to Gerard Eakin in lieu of payment for director's fee for the financial year ended 31 December 2022. The PRs were issued at \$0.05 exercise price per PR.

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29. Parent entity information

As at, and throughout, the financial year ended 31 December 2022, the parent entity of the Group was YPB Group Limited.

	Parent	
	2022	2021
	\$	\$
Result of the parent entity		
Loss for the year	(3,898,681)	(3,717,399)
Total comprehensive income for the period	<u>(3,898,681)</u>	<u>(3,717,399)</u>
Financial position of the parent entity at year end		
Current assets	739,239	750,296
Non-current assets	11,117,765	10,778,152
Total assets	<u>11,917,004</u>	<u>11,528,448</u>
Current liabilities	2,733,932	1,097,759
Non-current liabilities	-	-
Total liabilities	<u>2,733,932</u>	<u>1,097,759</u>
Net assets	<u>9,183,072</u>	<u>10,430,689</u>
Total equity of the parent entity comprising of:		
Issued capital	88,914,087	86,810,976
Reserves	628,827	848,151
Accumulated losses	(80,359,842)	(77,228,438)
Total equity	<u>9,183,072</u>	<u>10,430,689</u>

Parent entity guarantees in respect of the debts of its subsidiaries

There have been no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

Parent entity contingent liabilities

There were no contingent liabilities as at 31 December 2022 (2021: Nil).

Contractual commitments

There were no contractual commitments as at 31 December 2022 which is related to the parent entity (2021: Nil).

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30. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 6:

Name	Principal Place of Business / Country of Incorporation	Ownership Interest	
		2022	2021
		%	%
YPB Limited	Hong Kong	100	100
YPB Technology (Beijing) Ltd	People's Republic of China	100	100
Product ID & Quality Systems (Beijing) Ltd	People's Republic of China	100	100
YPB Group (USA) Inc.	USA	100	100
YPB Intellectual Product Protection Inc.	USA	100	100
YPB Group International Co., Ltd	Thailand	100	100
YPB Group Co., Ltd	Thailand	100	100
nTouch Pty Ltd	Australia	100	100
YPB Product Development Pty Ltd	Australia	100	100

During the year, the Consolidated Entity restructured the legal entity organisation structure, and the following subsidiaries were deregistered as a result:

Name	Date of Deregistration	Principal Place of Business / Country of Incorporation	Ownership Interest	
			2022	2021
			%	%
nTouch Agency Pty Ltd	16 January 2022	Australia	-	100

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31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax for the year	(3,301,603)	(3,513,259)
Adjustments for:		
Foreign exchange differences	(735,258)	(902,646)
Depreciation and amortisation expense	22,920	101,393
Impairment of goodwill & other intangible assets	-	502,982
Assets written off	247	-
Share-based payments	377,416	8,078
Finance costs	21,084	30,380
Equity-settled transactions	243,334	616,948
Net (gain)/loss on settlement of debts	-	(44,657)
Provision for slow-moving stocks	-	(2,068)
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
(Increase) in trade and other receivables	(7,584)	(9,124)
Decrease/(increase) in other assets	(44,990)	54,493
Decrease in inventories	15,814	8,440
(Decrease)/increase in trade and other payables	557,761	(383,726)
Net cash used in operating activities	<u>(2,850,859)</u>	<u>(3,532,766)</u>

32. Subsequent events

The following events have occurred since 31 December 2022:

- On 20 January 2023, 200,000,000 unlisted options exercisable at \$0.005 were issued as consideration for the receipt of funds for convertible notes of \$1m. The unlisted options were provided to a related party (J F Houston Holdings Pty Ltd), who received the convertible notes. The options expire on 16 January 2026, and the convertible debt securities attract interest at 9% per annum. The issue of the convertible notes are pursuant to a subscription agreement entered into in October 2022 and were approved by shareholders at a general meeting of YPB held on 23 December 2022.
- On 27 February 2023, ALDUS PTY LTD and FMA HOLDINGS PTY LTD (Defendants) agreed to settle all matters between YPB Group Co Ltd (Plaintiff). Defendants paid the plaintiff \$250,000. Additionally, deposits totalling \$200,000 which had been placed into an escrow account to facilitate the proceedings were returned with accrued interest.
- On 8 March 2023, YPB announced it had secured a contract to enter into the US Pull Tab/instant lottery ticket market to offer authentication of tickets.
- On 16 March 2023, YPB announced it has signed a license agreement with Swiss based Nviso SA for its Artificial Intelligence (AI) based application to allow the Company to develop AI based authentication solutions initially to address the "Deepfake" video phenomenon.

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- On 20 March 2023, YPB announced it had successfully closed the bookbuild for a A\$2m placement to sophisticated and professional investors.

Other than the above, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

33. Earnings per share

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax attributable to the owners of YPB Group Limited	(3,301,603)	(3,513,259)
	Number	Number
Weighted average number of ordinary shares used in calculating basic/diluted earnings per share	324,221,583	5,069,846,859
	Cents	Cents
Basic earnings/(loss) per share	(1.02)	(0.07)

There are 142,560,000 in share options issued but not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 475,958,118.

34. Contingent assets and contingent liabilities

On 13 April 2023, The Carroll Circuit Court of Virginia issued a sealed judgement in favour of YPB Group Limited in the case against a former employee Mr Tim Merchant for breach of the Virginia Trade Practices Act and awarded damages of US\$376,343 including US\$25,000 legal fees. Recovery is being sought through the Commonwealth of Virginia however the Group cannot reliably determine the probability of recovery as at the date of this report.

Other than the above, the Group are not aware of any contingent assets or liabilities as at 31 December 2022 (2021: Nil).

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35. Company details

The registered office of the Company is:

YPB Group Limited

Level 5, 126 Philip Street
Sydney NSW 2000
Australia

The principal places of business are:

101 True Digital Park, Griffin Building
15 Floor, Unit 1505
Sukhumvit Road, Bangchak
Phrakhanong, Bangkok 10260
Thailand

1st floor, 50 Building
No.14 Jiuxianqiao Road
Chaoyang District
Beijing
China

Directors' Declaration

1. In the opinion of the directors of YPB Group Limited (the "Company"):
 - a. the consolidated financial statements and notes that are set out on pages 25 to 69 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 259A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2022.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



John Houston
Director

Dated this 31st day of March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YPB GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of YPB Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of YPB Group Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Impairment testing of intangible assets – Patent Licence Rights

Why significant

As at 31 December 2022 the carrying value of patent licence rights was \$5,804,800 (2021: \$5,419,929), as disclosed in Note 18. This represents 79% (2021: 79%) of total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 6(j).

An annual assessment for impairment indicators for intangible assets is required under Australian Accounting Standard (AASB) 136 *Impairment of Assets*. The development and commercialisation of the underlying technology (Motif Micro) is ongoing, which has increased the uncertainty of forecasted cash flows and delayed the crystallisation of revenue pipelines.

Management performed a valuation of the carrying value of the patent licence rights as at 31 December 2022.

The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining the key assumptions, which include:

- the period of cash flow forecasts included;
- terminal value growth factor; and
- discount rate.

The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets is an area of significant estimation and judgement.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:-

- reviewing and challenging the business plan and budget management prepared for Motif Micro from FY23 to FY27;
- assessing and challenging the growth rates used in the forecast models, including comparing the growth rate in the industry;
- utilising an independent expert to review management's calculations, including key assumptions made, inputs used, and the reasonableness of the discount rate;
- testing, on a sample basis, the mathematical accuracy of the cash flow models;
- agreeing inputs in the cash flow models in the external valuation report to relevant data including approved budgets and latest forecasts; and
- assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 18.

2. Valuation and recognition of equity instruments

Why significant

During the year, the consolidated entity granted and awarded substantial shares, options and performance rights to key management personnel, external consultants and employees, all of which were issued to extinguish existing liabilities.

The following are the equity instruments issued during the year ended 31 December 2022 that required valuation:

- 157,977,883 shares issued on conversion of convertible loan notes
- 2,400,000 shares issued in settlement of capital raising costs;
- 70,000,000 options issued in settlement of capital raising costs;
- 1,600,000 performance rights issued in settlement of directors' voluntary salary sacrifice in lieu of cash; and
- 7,576,535 performance rights (with vesting conditions) issued to staff.

Valuation and recognition of equity instruments is a key audit matter due to:

- The equity impact of the issue of equity instruments during the year ended 31 December 2022 being material;
- The significant audit effort required to test the consolidated entity's equity instrument transactions; and
- The level of judgement required in the equity instruments' valuation.

How our audit addressed the key audit matter

Our audit procedures included, but was not limited to, the following procedures:

- obtaining and reviewing (prior year) external valuation of issued share and options, including assumptions and judgements used such as option terms, risk free rates and volatility;
- obtaining the consolidated entity's equity instruments worksheet and checking for mathematical accuracy;
- reviewing board meeting minutes and ASX announcements, and ensuring completeness of the equity worksheet;
- testing a sample of equity instruments to source documents such as share or option offer letters, agreements and contracts, ensuring consistency of details in the equity worksheet;
- reviewing journal entries processed for the issues; and
- reviewing the adequacy of disclosures in the financial report relating to the equity instruments issued.

3. Funding and liquidity position

Why significant

The consolidated entity recorded a loss after tax of \$3,301,603 (2021: loss of \$3,513,259), net cash outflows from operations of \$2,850,859 (2021: cash outflows from operations of \$3,532,766) and a net current asset deficiency of \$1,516,334 (2021: deficiency \$84,181). Therefore, the group's funding and liquidity position is considered an event or condition that may cast doubt on the entity's ability to continue as a going concern.

Note 2(i) discloses reasons why the Directors believe that the financial statements can be prepared on a going concern basis, and no material uncertainty exists.

The funding and liquidity position was determined a key audit matter due to:

- the judgement involved in determining the consolidated entity's forecast cash flows from operations; and
- the significant audit effort required to test the appropriateness of the going concern basis and evidence supporting this assumption.

How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- evaluating the consolidated entity's latest cash flow forecast for a period that is not less than 12 months beyond the date of the financial statements being approved, including challenging the reasonableness of key assumptions used by management of the consolidated entity in their cash flow forecast;
- comparing the latest (unaudited) year to date financial information in FY23 with management approved budgets, to assess performance post-balance date and the accuracy of management budgeting processes;
- assessing subsequent events for evidence of further fund raising; and
- assessing the adequacy of the disclosures made by management in the consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2022. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of YPB Group Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

BRISBANE
31 March 2023

Shareholder Information

Distribution of holders

The number of holders and number of holdings by a range of holding sizes of the ordinary shares and options as at 30 March 2023 are detailed below:

Holding size	Shares	
	No. of holders	No. of shares held
1 to 1,000	151	31,840
1,001 to 5,000	235	832,332
5,001 to 10,000	394	3,199,194
10,001 to 100,000	1,454	49,568,586
100,001 and over	520	5,656,169,04
	2,754	6,192,488,56

Number of holding less than a marketable parcel of 2,304.

Substantial shareholders

The names of substantial shareholders listed in the Company's register as at 30 March 2023 are:

	No. of shares held
The Bimm Corporation Pty Ltd	51,236,552
Suburban holdings Pty Ltd	45,045,045
Everblu Capital Pty Ltd	28,851,351
Rimoyne Pty Ltd	22,660,649
DRH Superannuation Pty Ltd	22,522,523

Voting rights

The voting rights attached to each class of equity security are as follows:

- a. Each ordinary share holder is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

Options as at 30 March 2023 are as follows:

Unlisted Options Exercise \$8.75 Expiry 12 December 2026
 Unlisted Options Exercise \$11.25 Expiry 12 December 2026
 Unlisted Options Exercise \$13.75 Expiry 12 December 2026
 Unlisted Options Exercise \$16.25 Expiry 12 December 2026

Holding size

Holding size	Options	
	No. of holders	No. of options held
1 to 100,000	-	-
100,001 and over	1	640,000
	1	640,000

Top 20 Ordinary Shareholders as at 30 March 2023

	No. of shares held
The Bimm Corporation Pty Ltd	51,236,552
Suburban holdings Pty Ltd	45,045,045
Everblu Capital Pty Ltd	28,851,351
Rimoyne Pty Ltd	22,660,649
DRH Superannuation Pty Ltd	22,522,523
Mrs Teresa Di Pasquale	20,400,000
Rafashah Nominees Pty Ltd	12,738,739
Atlantic Capital Holdings Pty Ltd	11,261,261
Nviso SA	10,000,000
Sixty Two Capital Pty Ltd	9,009,009
Matthew Burford Super Fund Pty Ltd	8,388,963
Mr Hong Sian Tan	7,793,688
Ms Megan Louise Carter	7,644,119
Mr Phillip Andrew Eddy	6,500,000
Dr Paul Vincent Grech	6,000,000
Mr Colin James Sharp	5,280,000
Chifley Portfolios Pty Ltd	5,018,195
Ms Kimberly Staggs	5,000,000
Hill & Hone Pty Ltd	5,000,000
Mr Robert Benton Staggs	5,000,000
	295,350,094
Balance of register	323,898,762
Total	619,248,856

None Listed Options holders as at 30 March 2023

On-market buy back

There is currently no on-market buy back.

Corporate Directory

Registered Office

Level 5, 126 Philip Street
Sydney NSW 2000

ABN: 68 108 649 421
Telephone: +61 (8) 6555 2950
Facsimile: +61 (8) 6166 0261

Mailing address

PO Box H215
Australia Square
NSW 1215

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street
Sydney, NSW 2000

Telephone: 1300 737 760
Facsimile: 1300 653 459
Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Auditors

PKF Brisbane
Level 6, 10 Eagle Street
Brisbane, QLD 4000

Telephone: +61 (7) 3839 9733
Facsimile: +61 (7) 3832 1407

Stock Exchange Listing

The shares of YPB Group Limited are listed on the Australia Stock Exchange.

ASX Code: YPB
Website: www.asx.com.au

Directors

John Houston
Su (George) Su
Gerard Eakin

Company Secretary

Lucy Lowe