



YPB Group Ltd.
ABN 68 108 649 421
ASX code: YPB

GLOBAL LEADER IN ANTI COUNTERFEIT TECHNOLOGY
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YPB Group Limited

ACN 108 649 421

Prospectus

For the conditional offer of up to 222,222 Shares at an issue price of \$0.045 per Share to raise approximately \$10,000 (before expenses).

This Prospectus has been prepared primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

The Offer is not underwritten

IMPORTANT NOTICE

This document is important and should be read in its entirety (including the Risk Factors in Section 6 of this Prospectus). This Prospectus is a transaction specific prospectus issued in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The Shares offered under this Prospectus should be considered speculative.

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1 Important information

1.1 Timetable and important dates*

Action	Date
Lodgement of Prospectus with ASIC and ASX	23 January 2018
Opening Date	24 January 2018
Closing Date	25 January 2018
Expected Date of Official Quotation	4 February 2018

* The above dates are indicative only and may be subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice but subject to any applicable requirements of the Corporations Act or the ASX Listing Rules. This may include extending the Offer or accepting late acceptances, either generally or in particular cases.

1.2 Conditional Offer

The Offer is conditional on the Company achieving the minimum subscription as set out in Section 3.2.

1.3 General

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers. The Shares the subject of this Prospectus should be considered highly speculative.

This Prospectus is dated 23 January 2018 (**Prospectus**) and a copy of this Prospectus was lodged with ASIC on that date.

ASIC and the ASX take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates. The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date. Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to this Prospectus to be admitted for quotation on ASX.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities.

1.4 Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website www.asx.com.au). The contents of any website or ASIC or ASX filing

by the Company are not incorporated into this Prospectus and do not constitute part of the Offer.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

1.5 Risk Factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

1.6 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry. You can access, correct and update the personal information that we hold about you. Please contact the Company if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

1.7 Electronic Prospectus

A copy of this Prospectus can be downloaded from the ASX website. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

1.8 Application for Securities

Please read the instructions in this Prospectus and on the accompanying Application Form regarding the acceptance of the Offer. By returning an Application Form or lodging an Application Form with your stockbroker or otherwise arranging for payment for Securities in accordance with the instructions on the Application Form, you acknowledge that you have received and read this Prospectus, you have acted in accordance with the terms of the relevant Offer detailed in this Prospectus and you agree to all of the terms and conditions as detailed in this Prospectus.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

1.9 Overseas Shareholders

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

1.10 Forward Looking Statements

This Prospectus contains forward-looking statements which incorporate an element of uncertainty or risk, such as 'intents', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These statements are based on an evaluation of current economic and operating conditions, as well as assumptions regarding future events. These events, as at the date of this Prospectus, are expected to take place, but there is no guarantee that such will occur as anticipated or at all given that many of the events are outside the Company's control.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur. Further, the Company may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

1.11 Interpretation

A number of terms and abbreviations used in this Prospectus have defined meanings which are set out in Section 8.

All references in this Prospectus to \$, AUD or dollars are references to Australian currency, unless otherwise stated.

All references to time in this Prospectus relate to the time in Sydney, New South Wales.

2 Corporate Directory

Directors

John Houston – Executive Chairman, CEO

Gerard Eakin – Non-Executive Director

George Su – Non-Executive Director

Company Secretary

Robert Whitton

Registered Office and Principal Place of Business

Level 29

66 Goulburn Street

SYDNEY NSW 2000

T: (02) 8263 4000

F: (02) 8263 4111

Securities Exchange Listing

ASX Code: YPB

Solicitors (for information purposes only)

Thomson Geer Lawyers

Level 25

1 O'Connell Street

SYDNEY NSW 2000

Share Registry (for information purposes only)

Boardroom Pty Limited

Level 12, 225 George Street, Sydney ,NSW Australia 2000

3 Details of the Offer

3.1 Offer

By this Prospectus, the Company is making an offer to investors identified by the Directors for up to 222,222 Shares at an issue price of \$0.045 per Share payable in full on application to raise \$10,000 (before expenses).

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. Application Forms will only be provided by the Company to the invited investors. All recipients of the Shares under the Offer will be sophisticated or professional investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively), however no Shares will be issued under the Offer to Directors, related parties of the Company or any other person if the issue would breach the takeover prohibition in section 606 of the Corporations Act.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

3.2 Condition of the Offer

The Offer is conditional upon the Company achieving the minimum level of subscription for the Offer, being 222,222 Shares to raise approximately \$10,000.

Satisfaction of the above condition is a requirement for the issue of Shares under the Offer. In the event that this condition is not met within 4 months of the date of this Prospectus (or such period as varied by the ASIC), all Application Monies will be returned to Applicants without interest as soon as practicable thereafter and no Shares will be issued under the Offer.

3.3 Purpose of this Prospectus

The Company is seeking to raise only a nominal amount of \$10,000 (before expenses) under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital. The Directors intend to apply the proceeds from the Offer to expenses of the Offer and to working capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may be attached to Shares issued by the Company prior to the Closing Date, including the issue of 83,977,930 Shares (**Placement Stage 1 Shares**) to sophisticated and professional investors.

In conjunction with the Placement Stage 1 Shares, the Company also intends to issue a further 34,603,726 Shares (**Placement Stage 2 Shares**) and 27,771,323 Options (**Placement Options**) to sophisticated and professional investors. The issue of the Placement Stage 2 Shares and the Placement Options are subject to shareholder approval.

The Placement Options will be issued on the basis of 0.3307 Placement Options per Placement Stage 1 Share. The Placement Stage 1 Shares and Placement Stage 2 Shares, and any shares issued due to the exercise of the Placement Options, will rank equally with existing Shares on issue. A summary of the terms of existing Shares is set out in Section 5.

The issue of the Placement Stage 1 Shares, Placement Stage 2 Shares and Placement Options will raise approximately \$5,037,980 (before costs). These funds will be used to fund the cash component of the Motif Micro merger, retire the Bracknor facility, working capital and general corporate purposes.

Section 708A(5) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that were quoted securities at all times in the 3 months before the day on which the relevant securities were issued;
- (b) trading in that class of securities on a prescribed financial market on which they were quoted was not suspended for more than a total of 5 days during the shorter of the period during which the class of securities were quoted, and the period of 12 months before the day on which the relevant securities were issued;

- (c) the Company has not been exempted by ASIC from the continuous disclosure provisions at any time during the relevant period referred to in paragraph (b);
- (d) the Company or any person as director or auditor of the body has not been exempted from or received an instrument of modification in relation to the financial reporting provisions at any time during the relevant period referred to in paragraph (b); and
- (e) (relevantly) the Company gives the relevant market operator for the Company a notice that complies with section 708A(6) of the Corporations Act before the sale offer is made.

The Company was voluntarily suspended from 1 September 2017 (inclusive) to 6 September 2017, and at the date of this prospectus remains suspended. Accordingly, the Company has been suspended for more than 5 days during the past 12 months and therefore cannot rely on Section 708A(5) of the Corporations Act, which provides that a sale offer does not need disclosure to investors.

However, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
 - (iii) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.4 Opening and Closing Dates of the Offer

The Offer will be opened at 9.00am (AEDT) on 24 January 2018 (**Opening Date**) and will remain open until 5.00pm (AEDT) on 25 January 2018 (**Closing Date**), subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the Closing Date without prior notice, subject to the requirements of the Listing Rules.

3.5 Application for Shares

To subscribe for Shares complete and return the Offer Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions set out in the Offer Application Form.

Completed Offer Application Forms and Application Monies must be received by the Company prior to 5.00pm (AEDT) on the Closing Date. Cheques must be made payable to "**YPB Group Limited**" and crossed "**Not Negotiable**". All cheques must be in Australian currency. No brokerage or stamp duty is payable.

Offer Application Forms should be delivered to:

Robert Whitton : rob.whitton@ypbsystems.com.

Level 29, 66 Goulburn St, Sydney, 2000

An original, completed and lodged Application Form together with a cheque for the Application Monies (if applicable) constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in each Application Form. The Application Form does not need to be signed to be valid.

If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an Application Form as valid and how to construe, amend or complete the Application Form is final, however, for Application Forms an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the Application Monies.

Applicants are encouraged to lodge their Application Forms as soon as possible, as the Offer may close early without notice.

3.6 Minimum subscription

The Offer is conditional on the Company achieving the minimum level of subscription of 222,222 new Shares to raise approximately \$10,000. No Shares under the Offer will be issued until the minimum subscription has been reached. If the minimum subscription has not been achieved within 4 months from the date of this Prospectus (or such period as varied by the ASIC), all Application Monies will be refunded to Applicants without interest in accordance with the Corporations Act.

3.7 Oversubscription

No oversubscriptions for the Offer will be accepted by the Company.

3.8 Allotment of Shares and Application money

Shares will be issued only after all Application Monies have been received and ASX has granted permission for the Shares to be quoted. It is expected that Shares will be issued on 2 February 2018 and trading of the Shares on ASX is expected to commence 4 February 2018. Holding statements for Shares issued under the Offer will be mailed as soon as practicable after their issue.

All Application Monies received before Shares are issued will be held in a special purpose account for the purpose of depositing Application Monies. This account will be established and kept by the Company in trust for each applicant. Any interest earned on the application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether grant takes place and each applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares the subject of the Offer in their sole discretion. The Directors reserve the right to reject any application or to allot any applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on monies refunded.

3.9 Underwriting

The Offer is not underwritten.

3.10 ASX Quotations

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from the ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by ASIC), the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest. The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.11 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside the Australia may be restricted by law. This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.12 **CHESS and issuer sponsorship**

The Company operates an electronic CHESS sub-register and an electronic issue sponsored sub-register. These two sub-registers will make up the Company's register of Securities.

The Company will not issue certificates to security holders. Rather, holding statements (similar to bank statements) will be dispatched to security holders as soon as practicable after issue. Holding statements will be sent either by CHESS (for security holders who elect to hold Securities on the CHESS sub-register) or by the Company's Share Registry (for security holders who elect to hold their Securities on the issuer sponsored sub-register). The statements will set out the number of Securities issued under this Prospectus and the Holder Identification Number (for security holders who elect to hold Securities on the CHESS sub register) or Shareholder Reference Number (for security holders who elect to hold their Securities on the issuer sponsored sub-register). Updated holding statements will also be sent to each security holder following the month in which the balance of their security holding changes, and also as required by the ASX Listing Rules and the Corporations Act.

3.13 **Taxation implications**

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

3.14 **Major activities and financial information**

A summary of the major activities and financial information relating to the Company is included in the 2016 Annual Report, which was lodged with the ASX on 29 March 2017.

The Company's continuous disclosure notices (ie ASX announcements) since 29 March 2017 are listed on Section 7.3 of this Prospectus.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

3.15 **Enquiries**

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional advisor without delay. Any questions concerning the Offer should be directed to the Company Secretary, Robert Whitton on +61 (02) 8263 4000.

4 Effect of Offer on the Company

4.1 Effect of the Offer on capital structure

The capital structure of the Company on completion of the Offer and assuming it is fully subscribed is set out below:

Shares currently on issue	Number of Shares
Shares on issue prior to the Offer (including the issue of Stage 1 Placement Shares)	555,833,450
Shares offered under this Prospectus	222,222
Placement Stage 2 Shares to be issued*	34,603,726
Total Shares on issue on completion of the Offer and the Placement	590,659,398

*The issue of the Placement Stage 2 Shares are subject to Shareholder approval.

Options	Number
Options currently on issue (all unlisted Options):	72,534,000
Placement Options to be issued	27,771,323
Total Options on issue on completion of the Offer and the Placement*	100,305,323

*This Placement Options are subject to Shareholder approval.

4.2 Financial effect of the Offer

4.3 After paying for the expenses of the Offer of approximately \$10,000 , there will be no remaining funds. The Offer will not have an effect on the Company's financial position. Effect of the Offer on control

The Company will not issue Shares under the Offer to Directors, related parties of the Company or any other person if the issue would breach the takeover prohibition in section 606 of the Corporations Act.

The following table sets out the potential dilutionary effect of the Offer assuming that no current Shareholders apply for or are issued Shares under the Offer:

Existing Shares (including the Placement Stage 1 Shares)	Shares to be issued	% dilution
555,833,450	222,222	~0.00%

4.4 Dividend policy

Dependant on the financial results of the Company, the Directors will consider the payment of dividends to Shareholders. However, investors should note that it is the Directors' intentions to utilise retained earnings and free cash flows to fund ongoing growth of the Company in priority to the payment of dividends.

Investors should be aware that no guarantee is given by the Company or the Directors as to the performance of the Company or as to the timing or amount of any dividend payment.

4.5 Pro forma statement of financial position

Set out below is the statement of financial position of the Company and the unaudited pro forma statement of financial position, as at 22 January 2018, prepared on the basis of the following assumptions:

- (a) the Offer was effective on 22 January 2018; and
- (b) no further securities are issued other than the Placement Stage 1 Shares.

The pro forma statement of financial position has been prepared on the basis of the Annual Report lodged on 29 March 2017.

The significant accounting policies upon which the consolidated statement of financial position and the pro forma statement of financial position are based are contained in the financial report for the year ended 31 December 2016.

YPB Group Ltd.

Pro-Forma Consolidated Statement of Financial Position

31 December 2017 & 22 January 2018

	Consolidated Statement of Financial Position 31 December 2017*	Pro-Forma Statement of Financial Position**
	\$'000	\$'000
Assets		
Current Assets		
Cash and cash equivalents	884	4,710
Trade and other receivables	1,725	1,725
Inventories	378	378
Total current assets	2,987	6,814
Non-current assets		
Plant and equipment	1,032	1,032
Intangibles	11,051	11,051
Total non-current assets	12,083	12,083
Total assets	15,070	18,897
Liabilities		
Current liabilities		
Trade and other payables	1,566	1,566
Deferred revenue	240	240
Other liabilities	1,805	1,805
Total current liabilities	3,611	3,611
Non-current liabilities		
Borrowings	1,326	1,326
Total non-current liabilities	1,326	1,326
Total liabilities	4,937	4,937

Net assets	10,133	13,960
Equity		
Issued capital	49,231	53,057
Reserves	3,906	3,906
Accumulated losses	(43,004)	(43,004)
Total equity	10,133	13,960

5 Rights and liabilities attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. Full details of the rights and liabilities attaching to Shares are set out in the Corporations Act, ASX Listing Rules and the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) Voting rights

Subject to the rights or restrictions for the time being attached to any other class or classes of Shares (at present there are none), at meetings of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative (and a partly paid share only has a fractional vote);
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, has one vote for the Share.

(b) Rights on winding up

Subject to the rights of holders of Shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets that may be legally distributed (by a liquidator with the sanction of a special resolution of the Shareholders) among Shareholders will be distributed in proportion to the number of fully paid Shares held by them.

(c) Transfer of Shares

Generally, Shares in the Company are freely transferrable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provision of a law of Australia, and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(d) Future increases in capital

The issue of Shares is under the control of the Directors. Subject to restrictions on the issue of Shares to Directors or their associates, the ASX Listing Rules, the Constitution and the Corporations Act, the Directors may issue or otherwise dispose of Shares on such terms and conditions as they see fit.

(e) Variation of rights

The Constitution provides that, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(f) Dividend rights

Subject to the rights of holders of shares issued with special, preferential or qualified rights, the profits of the Company which the Directors determine to distribute by way of dividend are divisible among the holders of Shares in proportion to the number of Shares held by them (and a partly paid Share is counted as a fraction of a fully paid Share, equal

to the amount paid on it, divided by the total issue price of the Share for the purposes of payment of a dividend).

(g) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative, to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

6 Risk Factors

Activities in the Company, as in any business, are subject to risks, which may impact on the Company's future performance.

The Directors consider that the following summary, which is not exhaustive, represents some of the specific risk factors, which investors need to be aware of in evaluating the Company's business and the risks of increasing their investment in the Company. The Shares offered under this Prospectus are speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to carefully consider the following risk factors in addition to the other information presented in the Prospectus:

The Directors recommend that Shareholders and potential investors examine the contents of this Offer Document together with previous ASX disclosures and public documents of the Company, including its most recent audited financial statements, and rely on advice of their professional advisers before deciding whether or not to apply for New Shares pursuant to this Offer Document.

(a) Specific risk factors

(i) Intellectual property

To market and protect its market position, it is important for the Company to protect the intellectual property in its brand and the technology. Although the technology is patented, there may be situations where it cannot be protected or is subject to unauthorised disclosure, infringement, or challenge by a third party. This may require significant cost and effort to defend or to obtain the necessary protections to prevent such conduct (as the case may be).

There is a risk that other individuals or companies may claim to have an interest in intellectual property used by the Company. Intellectual property or trade secrets may be challenged by other parties and defending such actions may adversely impact the Company's earnings. In addition, if the Company is required to develop or support new technology and intellectual property, it may require significant capital expenditure by the Company.

The Company will acquire trade secrets and other intellectual property rights that are important assets. The Company may therefore rely on a combination of confidentiality and license agreements with its consultants and third parties with whom it has relationships, as well as domain name, trade secret, copyright and patent laws, to protect its brand and other intellectual property rights. However, various events outside of the Company's control could pose a threat to its intellectual property rights, as well as to its products and technologies.

(ii) Reliance on key personnel

The Company relies on the experience and knowledge of its management team, in particular John Houston. The Company is also dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel left the Company and it was unable to recruit suitable replacements, such loss could have a materially adverse effect on the Company.

(iii) Increased competition

The anti-counterfeit and brand protection market is highly competitive. This competition has intensified as a result of improvements in technology. The actions of an existing competitor or the introduction of a new competitor in the anti-counterfeit market may make it difficult for the Company to grow its revenue, which in turn, may have an adverse effect on its profitability.

If the Company's technology proves to be less successful or more costly than its competitors products, the business of the Company could be adversely affected.

(iv) Growth prospects and Company expansion plans

The Company's growth prospects are dependent upon a number of factors, including, customer take up and execution of rollout. There is a risk that the Company may encounter potential issues arising from operating in foreign jurisdictions, including marketing restrictions, regulations regarding anti-theft, and protecting its intellectual property. These risks will vary in importance depending on the countries the Company chooses to enter into. If the Company fails to execute any expansion plan and cannot attract buyers for its products, its financial performance is likely to be negatively affected.

(v) Reliance on access to internet

The Company will depend on the ability of its users to access the internet. Access is provided by various classes of entities in the broadband and internet access marketplace. Should any of these entities disrupt, restrict or affect the cost of access to the Company's products, usage of the Company's products may be negatively impacted.

(vi) Programming errors

The Company's products will contain complicated programming and its objectives are to quickly develop and launch new and innovative products and features. The Company's products may therefore contain, now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (amongst other consequences) damage to the Company's brand, loss of customers, falls in revenues or liability for damages, any of which could adversely affect the Company's business and operating results.

(vii) Liability risk

Whilst the Company will take precautions both legal and physical, the nature of the Company business of providing products and services to the anti-counterfeit field, may give rise in certain circumstances to potential legal action by either customers or end users in the areas of product or public liability. If legal action was taken against the Company, it could have a material adverse affect on the financial performance of the business and to its reputation and brand name.

(viii) Reliance on key supplier relationships

The Company relies on various key supplier relationships for certain parts of its business. The loss or impairment of any of these relationships could have a material adverse effect on the Company's results of operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

In particular, the Company relies on third parties to provide intellectual property development and manufacturing services. Although there are long term contracts in place with stringent non-compete provisions, the Company is vulnerable to any change in output from these suppliers. Should any of these suppliers significantly reduce their supply to the Company, this will have an adverse effect of the growth prospects and financial performance of the Company.

(ix) Product selection

An important element of the Company's business is an ability to assess and identify products that appeal to the Company's target market. Newer anti-counterfeit and brand protection technologies and products are increasing the number of choices available to customers. This may make the Company's products less attractive and any misjudgements in demand or changes in customer preferences could result in reduced sales, increase inventory and/or lower gross margins. In addition, existing products or products in the future developed by the Company may experience performance problems rendering

them difficult or impossible to sell, or subject to product recall which could have a material adverse impact on the Company's financial performance.

(x) Delivery risk

Due to the nature of the Company's product being manufactured in the PRC, the potential exists for delays or cancellations in the delivery of products without any practical recourse being available to the Company to recover lost earnings. Any such delay or cancellation would have an adverse impact on the Company's earnings and profits.

(xi) Exchange rates

The Company is exposed to movements in foreign exchange rates. As the Company will report financial earnings in Australian dollars, and because the Company does not plan to hedge against movements in the exchange rate, significant fluctuations in exchange rates may impact on the Company's margins and earnings adversely.

(xii) Funding

While the Company believes it will have sufficient funds after completion of the Offer to meet all of its growth and capital requirements for the near term, the Company may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms or at all. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

(xiii) Concentration of shareholding

John Houston (or entities controlled by him) will hold approximately 22.06% of all Shares of the Company to the Official List of the ASX (upon completion of the Placement and assuming that the Options on issue are not exercised). As a result, John Houston has a significant influence over all matters that require approval by Shareholders, including the election and removal of Directors and approval of significant transactions (unless prevented from voting under the Corporations Act or Listing Rules). The ability of other Shareholders to influence corporate decisions of the Company will therefore be reduced.

(b) Risks associated with investing in the share market

(i) Share price fluctuations

The Shares are to be quoted on the ASX, where the price may rise or fall relative to the Offer Price. The Shares issued or sold under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Shares will be determined by the share market and will be subject to a range of factors, many or all of which may be beyond the control of the Company and the management team.

(ii) Economic factors

Changes in economic and business conditions in Australia or internationally may affect the fundamentals of the Company's target markets or its costs structure and profitability. Adverse changes in the level of inflation, interest rates, consumer spending, and employment rates, are outside the control of the Company and the management team and may have an adverse effect on the financial performance and/or financial position of the Company.

(iii) Government regulation

The Company is exposed to changes in the laws and regulations of the PRC initially, then other countries where the Company will operate. In future, laws may be enacted which effect greater regulation upon the anti-counterfeit industry which may increase the Company's costs to comply with the relevant government regulations. In addition, taxation legislation may change which could impact the Company's profitability.

(iv) Taxation

Future changes to tax law or changes to the way in which taxation laws are interpreted in the various jurisdictions in which the Company operates or makes underlying investments may correspondingly impact the taxation liability of the Company or the value of its assets.

There are tax implications arising from purchasing and selling Shares, receiving distributions from the Company, and participation in any on-market Share buy-backs. Accordingly, investors should seek their own independent taxation advice before applying for New Shares under the Offer.

(v) Insurance risks

Although insurance is maintained by the Company, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative environmental impacts or other damages or injury. There is a risk of an occurrence of a significant event leading to losses that are not fully covered by insurance.

(vi) Other external factors:

Other external factors that may affect the value of the New Shares include (but are not limited to):

- (A) changes in investor sentiment toward particular market sectors;
- (B) changes in interest rates and the rate of inflation;
- (C) the demand for, and supply of, capital;
- (D) changes in exchange rates;
- (E) changes to accounting standards; and
- (F) the nature of competition in the industries in which the Company operates.

7 Additional information

7.1 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's securities on the ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the most recent date of the respective sales were:

	Price	Date
Highest	\$0.07	8 January 2018
Lowest	\$0.031	30 November 2017
Most recent	\$0.062	8 January 2018

7.2 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to the ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of the ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify the ASX of information about specified events or matters as they arise for the purpose of the ASX making that information available to the stock market conducted by the ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with ASIC;

- (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in 7.2(c)(i) and before the lodgement of this Prospectus with ASIC; and
- (iii) any continuous disclosure documents given by the Company to the ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in 7.2(c)(i) and before the lodgement of this Prospectus with ASIC.

There is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules that investors or their professional advisers:

- (a) would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Shares the subject of this Prospectus; and
- (b) would reasonably expect to find in this Prospectus.

7.3 Copies of Documents

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours.

The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Annual Report of the Company for the year ended 31 December 2016 containing the financial statements of the Company for the financial year ended 2016, being the last financial year for which financial statements were lodged with ASIC in relation to the Company on 29 March 2017; and
- (b) the following continuous disclosure notices given by the Company to notify the ASX of information relating to the Company during the period from the date of lodgement of the Annual Report of the Company referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date of announcement	Headline
22/01/18	Appendix 3B
22/01/18	\$5m Placement and suspension update
17/01/18	Voluntary suspension update
12/01/2018	Voluntary suspension update
10/01/2018	Appendix 3B re Motif Micro
10/01/2018	Suspension from Official Quotation
09/01/2018	Response to ASX Price Query
08/01/2018	Trading Halt Request
08/01/2018	Trading Halt
22/12/2017	Unilever Pakistan signs 5 year contract with YPB

12/12/2017	Updated Media, Client and Investor Presentation
08/12/2017	Change in substantial holding
07/12/2017	Change in substantial holding
06/12/2017	E-Commerce capabilities strengthened with new CFO
01/12/2017	Appendix 3B
01/12/2017	Appendix 3B
01/12/2017	Change of Director's Interest Notice
01/12/2017	Change of Director's Notice
01/12/2017	Change in substantial holding
29/11/2017	Unilever Pakistan adopts YPB's CONNECT platform
28/11/2017	Agreement with Cellmid to access Chinese health market
28/11/2017	CDY: CELLMID SIGNS AGREEMENT WITH YPB FOR CHINA MARKET
27/11/2017	Results of Meeting
03/11/2017	YPB and Monash Uni in Rail Collaboration
01/11/2017	Sept Quarter 4C and Commentary
27/10/2017	Notice of General Meeting/Proxy Form
04/10/2017	\$3.425m Placement Listing Rule 3.10.5A disclosure
03/10/2017	Cleansing Statement
03/10/2017	Appendix 3B
21/09/2017	Directors' Change of Interest Notices
19/09/2017	Becoming a substantial holder
15/09/2017	Rights secured to generational leap in authentication tech
15/09/2017	Change of Director's Interest Notice
15/09/2017	Change in substantial holding
14/09/2017	Change in substantial holding
13/09/2017	Appendix 3B
13/09/2017	Ceasing to be a substantial holder
12/09/2017	YPB to further protect Thai Passports
11/09/2017	Cleansing Statement

11/09/2017	Appendix 3B
08/09/2017	YPB signs with iSynergi an Alibaba Global Service Partner
07/09/2017	Appendix 3B
07/09/2017	Reinstatement to Official Quotation
07/09/2017	Share Placement raises \$2.757m
07/09/2017	Appendix 3B
07/09/2017	Appendix 3B
05/09/2017	Request to extend suspension
01/09/2017	Appendix 4D & Commentary
01/09/2017	Suspension from Official Quotation
30/08/2017	Trading Halt
23/08/2017	Voluntary Escrow Release
08/08/2017	Change in substantial holding
07/08/2017	YPB provides Retail Anti-Theft consultancy to BWS
04/08/2017	Lucas' Papaw Remedies to PROTECT its iconic product with YPB
31/07/2017	June Quarter 4C and Commentary
21/07/2017	Appendix 3B
21/07/2017	Change of Director's Interest Notice
21/07/2017	Change in substantial holding
10/07/2017	YPB wins Mexican National Lottery print contract
04/07/2017	CEO resignation and operational leadership change
28/06/2017	YPB issues updated profit expectations
16/06/2017	Presentation to 121 Tech Investment Summit Hong Kong
01/06/2017	Results of Meeting
01/06/2017	YPB signs 3-year contract with global FMCG tube manufacturer
31/05/2017	Final Director's Interest Notice
31/05/2017	Final Director's Interest Notice
31/05/2017	Director retirements

31/05/2017	AGM - Chairman's Address 31 May 2017
19/05/2017	Addendum to the Notice of Annual General Meeting
16/05/2017	Appendix 3B
03/05/2017	\$US10m FUNDING FACILITY SECURED
02/05/2017	Release from Voluntary Escrow
01/05/2017	Notice of Annual General Meeting/Proxy Form
01/05/2017	Trading Halt
01/05/2017	Appendix 4C - quarterly
31/03/2017	YPB Group signs MOU with new Channel Partner in China
29/03/2017	Appendix 4G and Corporate Governance Statement

The ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at the ASX during normal office hours.

The announcements are also available through the Company's website at www.ypbsystems.com.

7.4 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on Section 713 of the Corporations Act in issuing the Shares under this Prospectus.

7.5 Directors' interests

(a) Directors' holdings

Set out in the table below are details of Directors' relevant interests in the securities of the Company at the date of this Prospectus:

Director	No. of Shares	No. of Options
John Houston ¹	130,319,579	Nil
Gerard Eakin	15,000,000	1,000,000
Su (George) Su	5,623,989	Nil

¹ Note: John Houston's shares are held by The Bimm Corporation Pty Ltd <FJ Fund A/C>. John Houston holds a relevant interest (22.06%) in The Bimm Corporation Pty Ltd <FJ Fund A/C>.

(b) Director remuneration

No person has paid or agreed to pay any amount or has given any benefit to any Director to induce them to become, or qualify as a Director or for services provided by the Director, in connection with:

- (i) the formation or promotion of the Company; or
- (ii) the Offer of Shares under this Prospectus, except as set out below or elsewhere in this Prospectus.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at a General Meeting. Total Directors' fees paid to all Non-Executive Directors is not to exceed \$500,000 per annum.

Director	Remuneration
John Houston (Executive Director)	\$414,300
Gerard Eakin	\$220,000
Su (George) Su	\$40,000

(c) Deeds of Access, Indemnity and Insurance

The Company has entered into a Deed of Access, Indemnity and Insurance with each of its Directors. Under the terms of these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability as a result of the Director acting as a Director of the Company. The Company is required under the deeds to maintain insurance policies for the benefit of the relevant Director for the term of appointment and for a period of 7 years after retirement, termination or resignation substantially similar to the policies existing at the time of entering into the deeds, except to the extent that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The deeds also provide for the Director to have a right of access to Board papers and minutes.

7.6 Directors' participation in the Offer

Nothing in this Prospectus will be taken to preclude Directors, officers or employees of the Company from applying for Shares under this Prospectus.

7.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Thomson Geer Lawyers has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Thomson Geer Lawyers \$5,000.00 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Thomson Geer Lawyers has been paid approximately \$90,000.00(excluding GST) for legal services provided to the Company.

7.8 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with ASIC.

Thomson Geer Lawyers has given, and has not withdrawn its written consent to being named in this Prospectus as solicitors to the Company. Thomson Geer Lawyers has not authorised or caused the issue of this Prospectus or the making of the Offer. Thomson Geer Lawyers and K S

makes no representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

7.9 Expenses of Offers

The total expenses of the Offer are estimated to be approximately \$10,000.00 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item	Amount
ASIC and ASX fees	\$2,500.00
Legal fees	\$5,000.00
Share registry	\$2,500.00
Total	\$10,000.00

7.10 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

7.11 Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated 23 January 2018

Signed for and on behalf of YPB Group Limited:


John Houston
Chairman

8 DEFINITIONS

\$ means Australian dollars.

AEDT means Australian Eastern Daylight time as observed in Sydney, Australia.

Applicant means an investor who applies for Shares pursuant to the Offer.

Application Form means an application form either attached to or accompanying this Prospectus.

Application Money or **Application Monies** means the amount of money in dollars and cents payable for Shares at \$0.045 per Share pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the stock market operated by it, as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market operated by the ASX.

CHESS means Clearing House Electronic Sub-Register System.

Closing Date means 25 January 2018 (unless extended).

Company means YPB Group Limited (ACN 108 649 421).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Expiry Date means 23 February 2019, being the date which is 13 months after the date the Prospectus was lodged with ASIC, (unless extended).

Offer means the offer to investors to be identified by the Directors of 222,222 shares at an issue price of \$0.045 each pursuant to this Prospectus to raise \$10,000.

Official Quotation means official quotation on the ASX.

Opening Date means 24 January 2018.

Option means an option to acquire a Share.

Placement means the offer of the Placement Options, Placement Stage 1 Shares and Placement Stage 2 Shares to professional and sophisticated investors to raise up to \$5,037,980

Placement Option means the proposed issue, subject to shareholder approval, of 27,771,323 Options to professional and sophisticated investors to be issued on the basis of 0.3307 Placement Options per Placement Stage 1 Share.

Placement Stage 1 Share means the issue of 83,977,390 Shares to professional and sophisticated investors.

Placement Stage 2 Share means the proposed issue, subject to shareholder approval, of 34,603,726 Shares to professional and sophisticated investors.

PRC or **China** means the People's Republic of China.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Boardroom Pty Limited

Shareholder means a shareholder of the Company.