

1. Company details

Name of entity: YPB Group Ltd
ACN: 108 649 421
Reporting period: For the half-year ended 30 June 2020
Previous period: For the half-year ended 30 June 2019

2. Results for announcement to the market

		Half year to 30 June 2020				Half year to 30 June 2019	
		\$'000			\$'000	\$'000	
Revenues from ordinary activities	down	244	40.9%	to	353	597	
Loss from ordinary activities after tax for the half-year attributable to the owners of YPB Group Ltd	down	1,875	52.3%	to	(1,712)	(3,587)	
Loss for the half-year attributable to the owners of YPB Group Ltd	down	1,875	52.3%	to	(1,712)	(3,587)	

Comments

The loss for the Consolidated Entity, after providing for income tax amounted to \$1,712,000 (30 June 2019: \$3,587,000). The operating loss includes a number of non-cash and significant items (amortisation/fair value adjustments/share-based payments) which leaves an underlying cash outflow from operations of \$1,351,000 (30 June 2019: \$1,650,000). Revenue for the period was \$353,000 (30 June 2019: \$597,000) which represents a 40.9% decrease on the prior period.

3. Net tangible liabilities

	30 June 2020	30 June 2019
	Cents	Cents
Net tangible liabilities per ordinary security	(0.19)	(0.36)

The net tangible assets backing per ordinary security of (0.19) cents presented above is inclusive of right-of-use assets and lease liabilities. The net tangible asset backing per security, as at 30 June 2020, would reduce to (0.18) cents if right-of-use assets were excluded, and lease liabilities were included in the calculation.

Net tangible assets are showing a negative value for the reporting and comparative periods due to the majority of recorded assets being intangible.

4. Gain and loss of control over entities

There are no gain and loss of control over entities for the half-year ended 30 June 2020 (30 June 2019: Nil).

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

There are no dividend reinvestment plans for the half-year ended 30 June 2020 (30 June 2019: Nil).

7. Details of associates and joint venture entities

No changes since the previous annual report was released.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

There has been no change in foreign-owned subsidiaries to those reported for the year ended 31 December 2019. All group entities comply with International Financial Reporting Standards ('IFRS').

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The consolidated financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachment (if any):

The Interim Report of YPB Group Ltd for the half-year ended 30 June 2020 is attached.

11. Signed



John Houston

Date: 31 August 2020



YPB Group Ltd

ACN: 108 649 421

Interim Report – 30 June 2020

**YPB Group Ltd
Directors' report
30 June 2020**

The directors present their report and the consolidated financial statements of YPB Group Ltd (the "Company") and its controlled entities (the "Consolidated Entity") for the half-year ended 30 June 2020.

1. Directors and Secretary

For the period under review and covered by this report, the following persons were director of the Company. Directors have been in office since the start of the half-year to the date of this report, unless otherwise stated.

	Date Appointed	Date Resigned
Executive Chairman		
John Houston	31 July 2014	
Non-Executive Directors		
Su (George) Su	31 July 2014	
Gerard Eakin	4 March 2016	
Philip Wade	16 May 2019	
Company Secretary		
Sebastian Andre	25 June 2019	

2. Principal Activities

The principal activity of the Consolidated Entity during the half-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

The consolidated loss of the Consolidated Entity after providing for income tax amounted to \$1,712,000 (30 June 2019: \$3,587,000). The operating loss includes a number of significant non-cash items, including amortisation charges, fair value adjustments, and share-based payments, which leaves an underlying cash outflow from operations of \$1,351,000 (30 June 2019: \$1,650,000). Revenue for the period was \$353,000 (30 June 2019: \$597,000), which represents a 40.9% decrease over the comparative period.

The COVID-19 pandemic has had an adverse global economic impact, the Consolidated Entity has been actively working with its customers to assist them wherever possible and to monitor the potential risk for its revenue base. There does not appear either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at reporting date or subsequently as a result of the COVID-19 Pandemic. The Board continues to actively monitor the situation.

On 21 April 2020, YPB changed its registered office and principal place of business to Suite 1, 295 Rokeby Road, Subiaco, Western Australia 6008.

On 4 March 2020, 1,000,000 unlisted options with an exercise price of \$0.50 each expired with none being exercised.

On 30 April 2020, 272,846,758 listed options with an exercise price of \$0.025 expired with none being exercised.

On 19 June 2020, YPB received its first order under a Master Supply Agreement (MSA) with Nature One Dairy where YPB's Connect solution has started to be printed on milk powder tins for local and export markets.

On 22 June 2020, 12,000,000 performance rights have been converted into 12,000,000 fully paid ordinary shares following vesting conditions being met in accordance with shareholder approval obtained on 20 November 2019.

4. Events Subsequent to Balance Sheet Date

On 1 July 2020, the Group submitted to ASIC for approval to voluntarily deregister seven of the dormant entities under its Australia operations. ASIC has approved three of the applications and a notice of intent to deregister the three entities have been posted on ASIC's website. ASIC may deregister the companies after two months of the notice being posted, and a final notice will be issued to the Group.

The Group is still waiting for ASIC's approval notice to voluntarily deregister the remaining four dormant entities.

On 13 July 2020, 69,424,658 performance rights have been converted into 69,424,658 fully paid ordinary shares following vesting conditions being met in accordance with shareholder approval obtained on 20 November 2019.

On 13 July 2020, the Company completed a private placement of 75,000,000 fully paid ordinary shares ("Shares") at \$0.002 per Share to sophisticated and professional investors, raising \$150,000 ("Placement"). Funds raised under the Placement will be used for general working capital purposes.

On 28 July 2020, YPB achieved a critical technical milestone with Android smartphone readability of its proprietary MotifMicro technology.

On 31 July 2020, 600,000,000 fully paid ordinary shares at an issue price of \$0.001 per shares and 600,000,000 unquoted options exercisable at \$0.002 on or before 31 January 2021 were used to repay all outstanding amounts under the related party's existing \$600,000 of unsecured loans to the Company.

On 31 July 2020, 25,600,000 fully paid ordinary shares at an issue price of \$0.005 per share were issued as consideration for commercial advisory and business development services rendered to the Company and as approved by shareholders on 22 July 2020.

On 31 July 2020, 144,428,571 fully paid ordinary shares at an issue price of \$0.003 per share were issued to a former contractor and an existing employee in lieu of cash payables and services provided to the Company.

YPB Group Ltd
Directors' report
30 June 2020

On 24 August 2020, the Group has received commitments to raise \$650,000 from a placement (the "Placement") to sophisticated and professional investors. The Company will issue 260,000,000 fully paid shares at an issue price of \$0.0025 per share, together with one free attaching unquoted option (exercisable at \$0.005 per Option with a 12 months expiry from date of issue) for every two Shares issued under the Placement subject to the Company obtaining shareholder approval.

On 27 August 2020, the Group has received the \$650,000 from the Placement, and issued out the 260,000,000 fully paid shares to the sophisticated and professional investors.

Other than the above, no other matters or circumstances have arisen since 30 June 2020 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.

5. Rounding of Amounts

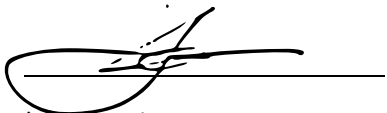
The Company is an entity to which ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 applies, and accordingly, amounts in the consolidated financial statements and directors' report have been rounded to the nearest thousand dollars.

6. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to Section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



John Houston
Executive Chairman

Dated: 31 August 2020

**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 half-year ended 30 June 2020, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

31 AUGUST 2020
BRISBANE

YPB Group Ltd
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30 June 2020

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YPB Group Ltd

Consolidated statement of profit or loss and other comprehensive income (loss)

For the half-year ended 30 June 2020

	Note	Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
Revenue	4	353	597
Expenses			
Consulting		(320)	(697)
Depreciation and amortisation expense		(114)	(103)
Directors' fees		(150)	(52)
Employee benefits expense		(870)	(1,294)
Finance costs		(111)	(94)
Production costs		(10)	(152)
Rental expenses		(55)	(103)
Option expense		-	(6)
Research and development costs		(144)	(172)
Marketing costs		(28)	(92)
Travelling expenses		(30)	(110)
Share-based payments		(29)	(38)
Regulatory expenses		(20)	(66)
Professional fees		(133)	(85)
Other expenses		(339)	(306)
Exchange gain/(loss)		290	(932)
Loss before income tax benefit		(1,710)	(3,705)
Income tax (expense)/benefit		(2)	118
Loss after income tax benefit for the half-year attributable to the owners of YPB Group Ltd		(1,712)	(3,587)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(187)	494
Other comprehensive loss for the half-year, net of tax		(187)	494
Total comprehensive loss for the half-year period attributable to the owners of YPB Group Ltd		(1,899)	(3,093)
		Cents	Cents
Basic and diluted earnings per share	12	(0.17)	(0.41)

The above consolidated statement of loss and other comprehensive (loss) should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of financial position
As at 30 June 2020

	Note	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		526	774
Trade and other receivables		246	243
Other assets		126	141
Inventories		249	240
		1,147	1,398
Non-current assets			
Plant and equipment		76	119
Right-of-use assets		158	234
Intangibles	5	6,636	6,500
		6,870	6,853
Total assets		8,017	8,251
Liabilities			
Current liabilities			
Trade and other payables	6	1,929	1,421
Lease liabilities		107	141
Financial liabilities	7	2,662	1,462
		4,698	3,024
Non-current liabilities			
Lease liabilities		37	75
Total liabilities		4,735	3,099
Net assets		3,282	5,152
Equity			
Issued capital	8	69,186	69,126
Reserves	9	1,326	2,499
Accumulated losses		(67,230)	(66,473)
Total equity		3,282	5,152

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

YPB Group Ltd
Consolidated statement of changes in equity
For the half-year ended 30 June 2020

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Issued options \$'000	Share-based payment reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2020	69,126	1,139	961	399	(66,472)	5,153
Loss after income tax benefit for the year	-	-	-	-	(1,712)	(1,712)
Other comprehensive loss for the year, net of tax	-	(187)	-	-	-	(187)
Total comprehensive loss for the year	-	(187)	-	-	(1,712)	(1,899)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	-	-	-	-	-	-
Options lapsed during the year	-	-	(954)	(1)	954	(1)
Options granted during the year	-	-	-	29	-	29
Options exercised during the year	60	-	-	(60)	-	-
Balance at 30 June 2020	69,186	952	7	367	(67,230)	3,282

The above consolidated 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 half-year ended 30 June 2020

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Issued options \$'000	Share- based payment reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2019	61,980	1,133	1,106	1,146	(58,707)	6,658
Adjustment on initial application of AASB 16, net of tax	-	-	-	-	9	9
Adjusted balance at 1 January 2019	61,980	1,133	1,106	1,146	(58,698)	6,667
Loss after income tax benefit for the year	-	-	-	-	(3,587)	(3,587)
Other comprehensive loss for the year, net of tax	-	494	-	-	-	494
Total comprehensive loss for the year	-	494	-	-	(3,587)	(3,093)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	1,035	-	-	-	-	1,035
Options lapsed during the year	-	-	(199)	-	199	-
Options granted during the year	-	-	6	-	-	6
Share-based payments	38	-	-	-	-	38
Conversion of Convertible Notes to equity	50	-	-	-	-	50
Balance at 30 June 2019	63,103	1,627	913	1,146	(62,095)	4,694

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

YPB Group Ltd
Consolidated statement of cash flows
For the half-year ended 30 June 2020

Note	Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
Cash flows from operating activities		
Receipts from customers	364	963
Payments to suppliers and employees	(1,639)	(2,519)
Interest received	1	-
Finance costs	(77)	(94)
Net cash used in operating activities	<u>(1,351)</u>	<u>(1,650)</u>
Cash flows from investing activities		
Payments for plant and equipment	<u>(4)</u>	<u>(1)</u>
Net cash used in investing activities	<u>(4)</u>	<u>(1)</u>
Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	-	998
Proceeds from borrowings	1,200	500
Repayment of borrowings	-	(205)
Payment of lease liabilities	(93)	-
Net cash from financing activities	<u>1,107</u>	<u>1,293</u>
Net (decrease) in cash and cash equivalents	(248)	(358)
Cash and cash equivalents at the beginning of the financial year	<u>774</u>	<u>487</u>
Cash and cash equivalents at the end of the financial year	<u>526</u>	<u>129</u>

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

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Note 1. General information

These consolidated financial statements and notes to the consolidated financial statements cover YPB Group Ltd and the entities it controlled at the end of, or during, the half-year (the “Consolidated Entity” or “Group”). The separate financial statements of the parent entity, YBP Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The consolidated financial statements are presented in Australian dollars, which is YPB Group Ltd’s functional and presentation currency.

The company is a listed public company incorporated and domiciled in Australia. Its registered office in Australia is Suite 1, 295 Rokeby Road, Subiaco, WA 6008.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020.

Note 2. Significant accounting policies

These general purpose consolidated financial statements for the half-year ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year, except as stated below.

New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group’s financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these general purpose consolidated financial statements for the half-year ended 30 June 2020.

Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The following are the critical judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts recognised in the consolidated financial statements.

Impairment of Intangible Assets other than Goodwill

In the process of evaluating the potential impairment of intangible assets other than goodwill, the Consolidated Entity is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of the industry that is applicable to the underlying technology. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The underlying technology of MotifMicro is still under constant development and therefore management has considered the carrying value of the patent licence rights to be supported through expected future generation of cash flows from the first-time adoption program with the current partners and additional partners in the pipeline. In addition, the technological milestone achievements during the period has also enhanced the intrinsic value of MotifMicro. However, the ongoing negative effects of COVID-19 on the business and global economy is causing a delay in the commercialisation of MotifMicro technology and therefore the ramp-up in revenues is expected to occur in FY2021. Furthermore, management is exploring other business strategies to accelerate the development of MotifMicro that would support the carrying amount of the patent license rights.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors note that the Group has continued to incur operating losses as it establishes its business model throughout various markets, performs internal restructuring, and improves the conversion rate of its order pipeline.

The group incurred an operating loss after tax for the half-year of \$1,712,000, had net cash outflows from operating activities of \$1,351,000 and a deficiency of current assets over current liabilities of \$3,551,000. As at 30 June 2020, the Group has cash and cash equivalents of \$526,000.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Notwithstanding this, the Group believes there are reasonable grounds that it will be able to pay its debts as and when they fall due, and on that basis the preparation of the consolidated financial statements on a going concern basis is appropriate, considering that:

- The Directors have completed a reforecast of the cash flow for the remainder of the year, and up until a period being not less than 12 months from the date of signing this report, supported by both the existing sales contracts as well as reflecting revenue growth expected from the sales pipeline.
- Reliance on further capital raising activities have been undertaken subsequent to balance date, of which \$150,000 has been received in July 2020 and \$650,000 has been received in August 2020 via new equity placements. A further placement of up to \$3,000,000 is expected to be raised within three months following the shareholder approval at the AGM held on 21 July 2020.
- The Group is exploring alternative funding mechanisms including securing strategic partnerships.

Note 3. Operating segments

The Consolidated Entity is organised into operating segments as outlined below.

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 period ended 30 June 2020, management considers the company to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represent by one business segment.

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

- 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.
- 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.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Geographical information

	Sales to external customers		Geographical assets	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Australia	143	219	532	139
People's Republic of China	164	130	374	430
Thailand	46	124	398	438
United States of America	-	124	6,713	8,222
	<u>353</u>	<u>597</u>	<u>8,017</u>	<u>9,229</u>

Note 4. Revenue

	Half year to 30 June 2020	Half year to 30 June 2019
	\$'000	\$'000
<i>Revenue</i>		
Sale of goods and services	331	597
<i>Other revenue</i>		
Interest	1	-
Other income	21	-
	<u>353</u>	<u>597</u>

During the half year, the Group received a total of \$21,000 (30 June 2019: nil) as subsidies from the government of local jurisdictions relating to the various COVID-19 financial assistance packages such as the Cash Flow Boosts 1 and 2 in Australia, and rental and social security insurance subsidies in China.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Note 5. Intangibles

	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
Goodwill – at cost	3,089	3,089
Less: Accumulated impairment losses	(3,089)	(3,089)
	<u>-</u>	<u>-</u>
Intellectual property – at cost	16,250	16,250
Less: Accumulated amortisation	(4,942)	(4,942)
Less: Accumulated impairment losses	(11,308)	(11,308)
	<u>-</u>	<u>-</u>
Customer relationship – at cost	206	206
Less: Accumulated amortisation	(28)	(28)
Less: Accumulated impairment losses	(178)	(178)
	<u>-</u>	<u>-</u>
Patent licence rights – at cost	8,684	8,506
Less: Accumulated impairment losses	(2,048)	(2,006)
	<u>6,636</u>	<u>6,500</u>

Reconciliations

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

Consolidated	Goodwill \$'000	Intellectual property \$'000	Patent licence rights \$'000	Total \$'000
Balance at 31 December 2019	-	-	6,500	6,500
Balance at 1 January 2020	-	-	6,500	6,500
Effect of movement in exchange rates	-	-	136	136
Balance at 30 June 2020	<u>-</u>	<u>-</u>	<u>6,636</u>	<u>6,636</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.

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Intellectual Property

In 2018, in reviewing the recoverable amount of the intellectual property, the carrying value was written to nil due to overhauls on the Group's core products and upgrades to the underlying technologies.

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 uncopiable, invisible and indestructible physical marking technology.

In February 2018, a specific milestone under the agreement was successfully achieved with MotifMicro under which an additional \$851,000 was payable to the vendors. The corresponding payable was settled via the issue of ordinary shares in October 2018.

As the technology was still in the development phase and not commercially available for use during the period ended 30 June 2020, the patent licence rights have not been amortised. The progress of the MotifMicro development in 2020 was advanced through a number of technological achievements together with two customers that signed first-adopter agreements in 2019 to expedite its commercialisation in the market. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

An independent valuation was conducted by Pitcher Partners Sydney Corporate Finance Pty Ltd ('PP') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro for the financial year ended 31 December 2019. As a result of the independent valuation and following the recent events from the global outbreak of COVID-19 on the business, an impairment loss of \$2m has been recognised to write-down the patent licence rights to \$6.5m. This loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

The directors have applied the 'value in use' methodology to assess the carrying value of the patent licence rights at 30 June 2020. The half-year impairment assessment was based on a reforecast of the approved annual operating plan ('AOP') and the accompanying five-year outlook.

The key assumptions and results arising from the 'value in use' methodology, based on approved AOP, relating to the commercialisation of the technology include:

- Revenue growth from conversion of sales pipeline revised to \$0.166m for FY2020 with an annual long-term growth rate of 10.4% that follows the industry growth rate;
- EBITDA loss of \$0.050m to be achieved by the end of FY2020;
- Discounted cash flow modelling based on the remaining life of patent licence rights of 15 years with no terminal value;
- A WACC of 22% assuming a long-term debt/equity ratio of 10/90; and
- The group securing sufficient funding to continue as a going concern.

The valuation methodology has been updated as at 30 June 2020 to reflect updated forecasts and progress made on the MotifMicro technology.

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For the half-year ended 30 June 2020

The 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 30 June 2020. The sensitivity analysis conducted by the directors indicates that a downward variation of 10% of the budgeted FY2020 revenue streams still provides headroom but not enough for the directors to consider reversing any of the previous impairment losses.

Note 6. Trade and other payables

	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
Trade payables	1,008	781
Other payables and accruals	921	640
	1,929	1,421

As at 30 June 2020, the total interest accrued relating to the short-term loan from related party included in other payables and accruals is \$17,000 (31 December 2019: nil).

Note 7. Financial liabilities

	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
Convertible notes (Sophisticated investors) – (i)	1,462	1,462
Short-term loan from related party - (ii)	1,200	-
	2,662	1,462

(i): In November 2018, the Group issued convertible loan notes with an aggregate face value of \$1,500,000 to sophisticated investors. These convertible notes will accrue interest on its face value daily at an interest rate of 10% per annum, and the noteholders may elect by issuing a conversion notice to the Group to convert the note on or prior to, the maturity date of 22 October 2021.

On 21 February 2019, one of the convertible loan note holders elected to convert the principal sum of \$50,000 into Ordinary Shares.

As at 30 June 2020, \$12,000 (31 December 2019: \$12,000) of convertible loan notes interest was accrued.

(ii): During the half year ended 30 June 2020, a related party to the Group provided a total of \$1,200,000 short-term loan at an interest rate of 8% per annum. The loans have varying repayment date of \$600,000 within 120 days from the loan draw-down date and another \$600,000 within 180 days from the loan draw-down date.

YPB Group Ltd
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Out of the \$1,200,000 principal amount of the loan, \$600,000 is repayable by issuance of shares in YPB Group Ltd and the remaining \$600,000 is repayable in cash. The interest amounts are repayable in cash, and both repayable upon maturity of the loan tenure.

Note 8. Equity – Issued Capital

	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	1,706,369,386	1,694,369,386	69,186	69,126

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 January 2020	1,694,369,386	69,126
Issued under share-based payments	22 June 2020	12,000,000	60
Balance	30 June 2020	<u>1,706,369,386</u>	<u>69,186</u>

Ordinary shares

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.

Note 9. Equity – Reserves

	Note	30 June 2020	31 December 2019
		\$'000	\$'000
Issued options reserve	(a)	7	960
Share-based payment reserve	(b)	367	400
Foreign currency translation reserve	(c)	952	1,139
		<u>1,326</u>	<u>2,499</u>

YPB Group Ltd
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For the half-year ended 30 June 2020

(a) Issued options reserve

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

Details	Date	Options	\$'000
Balance	1 January 2020	343,402,313	960
Options lapsed	4 March 2020	(1,000,000)	(60)
Options lapsed	19 May 2020	(272,846,758)	(893)
Balance		<u>69,555,555</u>	<u>7</u>

(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	\$'000
Balance	1 January 2020	399
Performance Rights exercised and converted to ordinary shares	22 June 2020	(60)
Performance rights lapsed	5 Feb 2020	(1)
Performance Rights issued under share-based payments	January to June 2020	29
Balance	30 June 2020	<u>367</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.

Note 10. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Note 11. Events after the reporting period

On 1 July 2020, the Group submitted to ASIC for approval to voluntarily deregister seven of the dormant entities under its Australia operations. ASIC has approved three of the applications and a notice of intent to deregister the three entities have been posted on ASIC's website. ASIC may deregister the companies after two months of the notice being posted, and a final notice will be issued to the Group.

The Group is still waiting for ASIC's approval notice to voluntarily deregister the remaining four dormant entities.

On 13 July 2020, 69,424,658 performance rights have been converted into 69,424,658 fully paid ordinary shares following vesting conditions being met in accordance with shareholder approval obtained on 20 November 2019.

On 13 July 2020, the Company completed a private placement of 75,000,000 fully paid ordinary shares ("Shares") at \$0.002 per Share to sophisticated and professional investors, raising \$150,000 ("Placement"). Funds raised under the Placement will be used for general working capital purposes.

On 28 July 2020, YPB achieved a critical technical milestone with Android smartphone readability of its proprietary MotifMicro technology.

On 31 July 2020, 600,000,000 fully paid ordinary shares at an issue price of \$0.001 per shares and 600,000,000 unquoted options exercisable at \$0.002 on or before 31 January 2021 were used to repay all outstanding amounts under the related party's existing \$600,000 of unsecured loans to the Company.

On 31 July 2020, 25,600,000 fully paid ordinary shares at an issue price of \$0.005 per share were issued as consideration for commercial advisory and business development services rendered to the Company and as approved by shareholders on 22 July 2020.

On 31 July 2020, 144,428,571 fully paid ordinary shares at an issue price of \$0.003 per share were issued to a former contractor and an existing employee in lieu of cash payables and services provided to the Company.

On 24 August 2020, the Group has received commitments to raise \$650,000 from a placement (the "Placement") to sophisticated and professional investors. The Company will issue 260,000,000 fully paid shares at an issue price of \$0.0025 per share, together with one free attaching unquoted option (exercisable at \$0.005 per Option with a 12 months expiry from date of issue) for every two Shares issued under the Placement subject to the Company obtaining shareholder approval.

On 27 August 2020, the Group has received the \$650,000 from the Placement, and issued out the 260,000,000 fully paid shares to the sophisticated and professional investors.

Other than the above, no matter or circumstance has arisen since 30 June 2020 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.

YPB Group Ltd
Notes to the consolidated financial statements
For the half-year ended 30 June 2020

Note 12. Earnings per share

	30 June 2020	30 June 2019
	\$'000	\$'000
Loss after income tax attributable to the owners of YPB Group Limited	(1,712)	(3,587)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	998,992,967	883,969,759
Weighted average number of ordinary shares used in calculating diluted earnings per share	998,992,967	883,969,759
	Cents	Cents
Basic/Diluted earnings per share	(0.17)	(0.41)

There are 143,080,213 in share options / performance rights 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 antidilutive 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 1,142,073,180.

Note 13. Related party transactions

	30 June	31 December
	2020	2019
	\$'000	\$'000
<i>Loans from other key management personnel related entity</i>		
Beginning of the period	-	-
Short-term loans advanced	1,200	-
Interest charged	17	-
End of period	<u>1,217</u>	<u>-</u>

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Refer to Note 6 and Note 7.

Other transactions with related parties

There were no other transactions with related parties for the period ended 30 June 2020.

YPB Group Ltd
Directors' declaration
For the half-year ended 30 June 2020

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes give a true and fair view of the Consolidated Entity's consolidated financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to Section 303(5)(a) of the Corporations Act 2001.

For and on behalf of the directors



John Houston
Executive Chairman

Date: 31 August 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF YPB GROUP LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of YPB Group Limited (“the company”), which comprises the consolidated statement of financial position as at as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors’ declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year’s end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of YPB Group Limited is not in accordance with the *Corporations Act 2001* including:-

- (a) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2020, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

We draw attention to Note 2 of the financial statements which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor’s Independence Declaration.

Directors’ Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the directors determine is necessary to enable the

preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at Tuesday, 30 June 2020 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of YPB Group Consolidated, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

31 AUGUST 2020
BRISBANE