

22 December 2017

ASX Announcements
4th Floor
20 Bridge Street
Sydney, NSW. 2000

XPD Soccer Gear Group Limited (ASX: XPD)

Write down of Investment and Legal Action

The Board of Mejority Capital Limited (“Mejority” or “Company”) wish to advise that they anticipate a further write down to zero value in one of their core investment holdings, being that in XPD Soccer Gear Group Limited (“XPD”).

The Company’s holding in XPD has diminished from a value of \$1,070,809.60 at 30 June 2016, to \$292,548.32 at 30 June 2017 (“Loss”). XPD has now been suspended from trading since 11 October 2017 pending satisfaction of ongoing enquiry from the ASX Limited as to the correct shareholdings of the Chief Executive Officer and major shareholder, Mr. Jiameng Zhang, together with Mr Shui Chiao Chang and Chou Qin International Co. Ltd.

This issue does not appear as though it will resolve itself before the 31 December 2017 balance date, in which case the Board of Mejority will have little choice other than to fully provide for its investment, writing down the value to zero.

The Board of Mejority has been concerned with aspects of the affairs of XPD, including that:

1. It advised shareholders through ASX announcements of its intent to pay a dividend, conditional only upon a satisfactory profit for the year. Investors only became aware that a dividend was not going to be paid when XPD released its Preliminary Final Report on 28 February 2017, citing: *“Given the acquisition strategy and opportunities facing the company, it has been decided to suspend the Dividend for the foreseeable future.”*

It is worth noting that as XPD’s Financial Year draws to a close no acquisitions have been announced.

Prior to 28 February 2017 the ASX releases of XPD lead investors to believe that a dividend would be paid.

2. The withdrawal of a Share Buy Back (“SBB”) Scheme and failure to keep the market appropriately advised as to the potential for the SBB to be withdrawn.

It is the view of Mejority that as a consequence of the above, together with the apparently as yet unsatisfied questions from the ASX concerning the state of XPD's share register, the Company's value has been diminished such that it is clearly significantly undervalued relative to usual financial metrics. Prior to being suspended XPD was trading at \$0.033 versus a cash backing per share of \$0.117 (\$50.9M cash at bank; 434,534,634 shares on issue as disclosed in the XPD Half Yearly report to 30 June 2017). XPD's reported profit for the half year was \$8,997,447 which provided an Earnings per share of 2.07 cents per share, or an annualized EPS of 4.14 cps – though the second half is reportedly a stronger half than the first. By way of example, a low PE multiple of 5 would result in a share price over \$0.20 (EPS x PE).

Mejority is understandably concerned as to the Corporate Governance and management of XPD through this period which has resulted in a diminution of investor value through the declining share price.

Mejority has now commenced an action in the Federal Court of Australia seeking access to certain documents of XPD that will assist Mejority to determine whether or not to commence proceedings against XPD seeking damages and other relief with respect to the Loss.

The possible actions against XPD that Mejority is investigating are:

1. Whether the failure to disclose XPD's ability to implement the share buy-back scheme was subject to the PBOC Funding Contingency, and its failure to disclose that the condition was sufficiently unlikely to be met as to warrant cancelling the buy-back, may have involved misleading or deceptive conduct in contravention of section 1041H of the *Corporations Act 2001* (Cth) or section 12DA of the *Australian Securities and Investments Commission Act 2001* (Cth), or conduct in breach of the continuous disclosure obligations imposed by section 674 of the *Corporations Act* (read with ASX Listing Rule 3.1) (collectively the "Breaches");
2. Whether the failure of XPD, until it announced the Dividend Suspension Decision on 28 February 2017, to advise shareholders of the prospect of the Capital Preservation Decision being made and the prospective impact of the Strategic Plan and an associated Capital Preservation Decision on the dividend payment plan, may have involved all or some of the Breaches; and
3. Whether the conduct of the affairs of XPD may be contrary to the interests of the members as a whole or oppressive or unfairly prejudicial to or unfairly discriminatory against a member or members for the purposes of sections 232 and 233 of the *Corporations Act 2001* (Cth).

The application is listed for its initial hearing in the Federal Court in Perth on 7 February 2018.

For further information:

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