

27 July 2018

Mr Simon Lill
Chairman
XPD Soccer Gear Group Limited
Level 1, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

By email

Dear Mr Lill

XPD Soccer Gear Group Limited ("XPD")

ASX Limited ("ASX") refers to:

- ASX's letter dated 18 April 2018 setting out a number of actions required to be taken by XPD by no later than 5.00pm AEST on 31 July 2018 in order for ASX to consider reinstating XPD's securities to official quotation, and in order for XPD to avoid removal from the official list of ASX on 1 August 2018. A copy of the letter was published on the ASX Market Announcements Platform (MAP) on 18 April 2018.
- ASX's letter dated 29 June 2018 requiring XPD to respond to a number of questions, including the following:
"Has XPD paid (in part or full) its Australian auditor for the audit of XPD's 2017 financial statements? If so, please advise the source of the payment - was it paid by XPD from its own funds or was it paid by someone else on its behalf? If it was paid by XPD from its own funds, please provide documentary evidence (such as a copy of XPD's bank statements) to confirm that is the case. If it was paid by someone else on XPD's behalf, please advise who paid it and why."

A copy of the letter was published on MAP on 29 June 2018.

- XPD's response to that letter dated 6 July 2018 in which XPD stated, among other things:
"To date we have made progress payments to the auditor and other creditors from the XPD Australian bank account with funds transferred to that account by Mr. Jiameng Zhang."
"We have sent by separate email a copy of the Terms of Engagement of XPD's auditor which states within that they would not commence the audit until receipt of 50% of their estimated fee upfront, and that they would not provide the audit sign off until they had received 100% of their fees. The upfront payment of 50% was made by XPD from funds in our Australian bank account. We have sent by separate email a copy of that bank statement showing those payments. We have also now made payment of a further 25% of the fee from that same account as evidenced by the documentation and will pay the final 25% on audit sign off."

A copy of the letter was published on MAP on 6 July 2018.

- Note 2.1 to the financial statements in XPD's 2017 Annual Report, published on MAP on 9 July 2018, which states as follows:
"The financial statements have been prepared on a going concern basis."
The Chinese RMB is not freely convertible into foreign currencies. Under the People's Republic of China ('PRC') Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange

Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business following regulatory approvals. The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being able to access and utilise the funds held in banks and financial intuitions [sic] in the PRC to settle debts incurred in other jurisdictions including Hong Kong and Australia.

As a result, there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. However, the directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern."

- The Independent Auditor's Report in XPD's 2017 Annual Report, which contains the following paragraph and qualification respectively:

"We draw our attention to Note 2.1 in the financial statements, which indicates that the Group is subject to Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations in the Peoples Republic of China (PRC) which may result in cash holdings in the PRC not being freely convertible into foreign currencies. As stated in Note 2.1 and Note 12, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

"As disclosed in Note 4.10 and Note 17 to the financial statements, the Group's Investment in Associate is accounted for under the equity method and has a total carrying value of \$13,674,567. Management has determined that no impairment is required on the Group's Investment in Associate as its recoverable amount exceeds the net carrying value as at 31 December 2017. Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence as to the recoverable amount of the Group's Investment in Associate as at 31 December 2017. Consequently, we are unable to determine whether any adjustments in respect of the net carrying value of the Group's Investment in Associates as at 31 December 2017 are necessary."

In light of the above, we ask that you answer the following questions and/or requests for information.

1. It is still not clear to ASX whether the funds for the payment of the auditor were provided by XPD out of its own funds or by XPD's managing director, Mr Jiameng Zhang.
 - 1.1. Was the auditor paid by XPD out of its own funds?
 - 1.2. If so, please provide documentary evidence that the funds were transferred by XPD into its Australian bank account.
 - 1.3. If the funds were alternatively transferred into XPD's Australian bank account by Mr Zhang, please advise why Mr Zhang, rather than XPD, transferred the funds.
2. Note 2.1 to the financial statements in the 2017 Annual Report states that, "the continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being able to access and utilise the funds held in banks and financial intuitions [sic] in the PRC to settle debts incurred in other jurisdictions including Hong Kong and Australia". What debts did XPD incur in jurisdictions outside of China in 2017? Have these debts been paid or do they remain outstanding?
3. Why was the auditor unable to obtain sufficient appropriate audit evidence as to the recoverable amount of XPD's investment in Henan Yuanlong Industrial Co. Ltd?

Please respond to each of these questions by no later than 5.00pm AEST on Tuesday 31 July 2018.

In addition to the matters referred to above, ASX has also observed the following in relation to the 2017 Annual Report:

- XPD did not lodge with ASX an Appendix 4G in accordance with Listing Rule 4.7.3.
- XPD did not include a link to its corporate governance statement in the Annual Report in accordance with Listing Rule 4.10.3, nor did it lodge a copy of its corporate governance statement with ASX in accordance with Listing Rule 4.7.4. Please note, the version of the corporate governance statement on XPD's website is not current.
- XPD did not include details of Chou Qin International Co. Ltd's substantial holding on page 67 of the Annual Report, as required by Listing Rule 4.10.4.

ASX expects XPD to correct these breaches immediately.

ASX notes XPD's request for an extension of the removal deadline in order to hold its annual general meeting (AGM) on 10 August 2018. If XPD's responses to this letter are satisfactory to ASX, ASX will grant XPD an extension of the removal deadline to 5.00pm AEST on 10 August 2018. XPD will then be required to announce the outcome of Roger Steinepreis' corporate governance review, provide a comprehensive operational update and announce whether the board intends to declare a dividend by that date. A draft of the outcome of the corporate governance review should be provided to ASX well in advance.

ASX also notes XPD's comment that it can see no reason why its securities should not be reinstated to quotation once it holds its AGM. Given the continued breaches by Chou Qin International Co. Ltd of substantial holdings laws and XPD's securities trading policy, and XPD's continued breaches of the Listing Rules, ASX will not provide any assurance as to the likelihood of reinstatement until XPD has satisfied all outstanding conditions and requests for information to ASX's satisfaction. ASX reminds XPD that its Appendix 4D in respect of the half year ended 30 June 2018 is due by 31 August 2018.

ASX asks that you ensure that all of the directors of XPD are provided with a copy of this letter, and with a translation where needed.

ASX intends to release a copy of this letter on MAP and reserves the right to release a copy of any response from XPD under Listing Rule 18.7A.

If you have any queries about any of the above, please contact me immediately.

Yours sincerely,

Lux Wigneswaran
Principal Adviser, Listings Compliance (Sydney)