

17 August 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 27 July 2018 and published on the ASX Market Announcements Platform ("MAP") on 20 July 2018, in which ASX asked XPD to respond to the following question regarding the payment of its Australian auditor.
  - "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."*
- XPD's response to that letter dated 8 August 2018 and published on MAP on 9 August 2018, in which XPD addressed question 1 as follows:
  - "1.1 Yes – albeit it was transferred through intermediaries."*
  - 1.2. Funds were transferred by an intermediary trading agent in Hong Kong to the XPD Australian dollar account. XPD in the People's Republic of China ("PRC") has in turn remitted funds in Chinese RMB to that trading agent, through a further intermediary in China. We have provided documentary proof of that currency swap through attachment."*
  - 1.3. As above."*
- XPD's email to ASX dated 8 August 2018, explaining that transferring funds from China to other offshore jurisdictions via an intermediary is commonplace, and noting that the "further intermediary in China" (as referred to above) was Mr Jiada Zhang, the brother of XPD's managing director and executive assistant to the general manager of XPD's operating subsidiary in China. The email also named three Hong Kong-based agents used by XPD as intermediaries over the relevant period.
- The Chairman's Address to Shareholders published on MAP on 10 August 2018, in which XPD gave the following reason for not declaring a dividend:
  - "Due to the difficulties and uncertainties of the funds transferability, we are not in a position to pay a dividend at this point in time."*

- ASX's letter dated 18 April 2018 and published on MAP on that date, setting out a number of actions required to be taken by XPD in order for ASX to consider reinstating its securities to official quotation, including the following:  
*"XPD appointing an independent expert, acceptable to ASX, to review and recommend changes to XPD's practices, policies, procedures and resources for complying with its listing rule obligations. XPD must announce both (a) the appointment of the expert and (b) the results of the expert's review and the steps XPD intends to implement to give effect to the expert's recommendations."*
- The results of the corporate governance review by Roger Steinepreis which XPD has provided to ASX but not yet published on MAP, setting out a number of recommendations for changes to XPD's corporate governance practices, policies, procedures and resources.

Having regard to the above, we ask that you answer the following questions and/or requests for information under listing rule 18.7:

1. Did Mr Jiada Zhang receive any fees or other remuneration from XPD for acting as an intermediary to the funds transfer as described above? If so, please provide details.
2. Did any of the Hong Kong agents receive fees from XPD for acting as an intermediary to the funds transfer as described above? If so, please provide details.
3. Please provide an opinion (in English) from a suitably qualified law firm in China as to whether the arrangements described above, whereby XPD uses China- and Hong Kong-based intermediaries to transfer cash into its Australian bank account for the purposes of paying debts incurred in Australia, comply with Chinese law.
4. If those arrangements do comply with Chinese law, please explain why they are not able to be utilised to pay a dividend to XPD's shareholders.
5. Please provide to ASX, in a form suitable for release to the market, a detailed plan and timetable for the implementation of the recommendations in Mr Steinepreis' corporate governance review.

ASX also refers to the statements in the Chairman's Address to Shareholders regarding XPD's reinstatement to trading on ASX.

In light of the significant governance and compliance issues documented in our letters to XPD dated 9 November 2017, 27 November 2017, 24 January 2018, 19 February 2018, 18 April 2018, 29 June 2018 and 27 July 2018, ASX intends to keep XPD's securities suspended from official quotation until ASX is satisfied that XPD has made acceptable progress in implementing the recommendations in Mr Steinepreis' review.

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,

*[sent electronically without signature]*

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**Lux Wigneswaran**  
Principal Adviser, Listings Compliance (Sydney)