

3 June 2019

MARKET UPDATE

XPD Soccer Gear Group Limited ("XPD" or "Company") requested suspension from trading on 27 May 2019 due to ongoing uncertainty regarding the repatriation of funds from China to Australia.

XPD owns 100% of a Hong Kong intermediary, China Soccer Holdings Co, Ltd ("China Soccer"), which in turn owns 100% of Jinjiang Chaoda Shoes and Garment Co., Limited ("Chaoda"), the operating company in China. Chaoda has transferred approximately \$520,000 to Australia since the current Australian directors joined the Board on 29 March 2018.

The ongoing transfer of funds, together with phone and personal meetings with the Managing Director, Jiamen Zhang, provided the Australian Board with the opinion that the Chinese entity was intent on retaining its ASX listing. Hence the Australian Board continued to move forward in a co-operative fashion with the Chinese management.

Since finalising the full year audit on 28 February 2019 funds transfers from China have ceased. The Australian Board continue to believe that there are some Government restrictions on the funds transferability, but are also now of the belief that the transferability is being impacted by the actions of the Board of the operating company, Chaoda. The Board of Chaoda, together with the Board of China Soccer, have been controlled by the founder family.

The Australian Board is now seeking additional clarity on the funds in China and has moved to control China Soccer through the appointment of an additional three Board Members to that entity. This was approved by the board of XPD on 30 May 2019.

China Soccer, as sole shareholder of Chaoda, has demanded financial information including supporting documents. If Chaoda does not comply with this demand, China Soccer will consider its next actions, which may include legal action.

The legal issues are complex and the Australian Board is being assisted in these matters by ACA Partners Pte Ltd of Singapore who control 41,153,621 shares (ASX: "*Change in Substantial Shareholding*" 8 June 2017), or 9.4% of the Company's shares.

The outcomes of these actions remain uncertain due to the cross border jurisdictional issues. The Company requests ongoing suspension whilst awaiting clarification, and will continue to provide regular updates to the ASX.



Simon Lill
Director



Neil Sheather
Director