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MARKET UPDATE

On the 31st May 2019 we provided an update advising the market of the steps that the Australian directors were taking to take operational control of Jinjiang Chaoda Shoes and Garment Co. Limited. ("Chaoda")

This has included moving to Board control of the Hong Kong subsidiary, China Soccer Holdings Co, Ltd ("China Soccer"), which in turn owns 100% of Chaoda.

China Soccer, as sole shareholder of Chaoda, has demanded financial information including supporting documents, in accordance with our rights as the sole shareholder under Chinese company law.

Chaoda have not complied with this request, so China Soccer will this week request the Local Regulatory Court to enforce Chaoda to comply with the demand. We are being advised in this matter by a reputable international law firm based in Hong Kong. If Chaoda still do not comply with the Court Order, it is then expected that the Court will approve a full disclosure directly from the Bank.

The outcome of this request will then depend on whether the Company commences litigation against Chaoda and its Directors.

Concurrently an investigative report into Chaoda's operations were commissioned, the key points of which were:

- There is some uncertainty as to the ownership of the buildings that form a key part of Chaoda's assets, being the Chaoda Business Building, which houses the administration office, and the Chaoda Factory.
- The operations at the Chaoda factory have clearly wound down with approximately 100 to 200 workers there operating on 2 floors only out of a 7 storey building.

The conclusion derived from the investigation is as follows:

In conclusion, as a labor intensive manufacturing company, Chaoda's operating conditions continue to deteriorate in recent years. Currently the production and operation can only be maintained with an effort. Great disparity exists between the company's current situation and the performance it's supposed to have as the only subsidiary in mainland China and the core asset of the Australian-listed company.

The investigation is ongoing and checking the actual operations against the documents disclosed to the Australian directors to determine the veracity of the disclosure made to the Australian directors.

Since this case involves foreign interest, the laws do not clearly define the legal process time frame. If all the procedures go smoothly, the case may take between 5~18 months from the filing in the first instance to finally complete the execution. After the initial case is heard we will continue to communicate with the assigned judge to endeavor to accelerate the process in timely manor.

The Company has also been working on the development and expansion of the XPD Brand name, product lines and distribution channels in Australia and internationally.

The outcomes of the investigations and 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 to ensure compliance with LR 3.1.

END