

6 February 2020

Update on Australian Board Member's Actions

As advised to the ASX on 10 September 2019 XPD Soccer Gear Group Limited ("XPD" or "Company") has demanded financial information from its wholly owned operating company, Jinjiang Chaoda Shoes and Garment Co. Limited ("Chaoda"), including supporting documents, in accordance with XPD's rights as the sole shareholder.

Chaoda's Board comprises:

Zhang Shuijiao - Chairman
Zhang Shaohua - Deputy Chairman
Zhang Jiameng – General Manager and Director of XPD
Zhang Jiashun - Director
Zhang Jinqiao - Director

XPD understands that this Board are all Members of the same family. The operating Board has never had Australian representatives on it.

The court case has been initiated through XPD's wholly owned Hong Kong subsidiary, China Soccer Holdings Co, Ltd ("China Soccer"), which in turn owns 100% of Chaoda. The action is being undertaken by King and Wood Mallesons ("KWM") of China. The action is being supported financially by one of the Company's substantial shareholders, ACA Partners Pte Ltd. of Singapore.

On 19 November 2019 KWM obtained a civil ruling issued by the Jinjiang Court which agrees to seal up Board Meeting Minutes, Board Resolutions, Financial Accounting Reports, records and proofs, between 21 May 2015 and 19 November 2019.

KWM, together with the Court Judge, attended the offices of Chaoda (both office building and factory) for preservation on 27 November 2019. There was no director or manager available to comply with the court orders. A supervisor was found, who was unable to comply with the court requests due to not having the necessary keys.

The judge and the lawyers insisted that the keys be obtained which were duly presented, though the rooms that were then unlocked did not assist the investigation as there were locked filing cabinets within for which the keys were not accessible. The judge advised that breaking open a locked filing cabinet did not comply with court orders - instead the judge authorised the cabinets be sealed up.

KWM have requested of the Court that as Chaoda have shown evidence of hiding documents and not assisting the court that:

- a written record of preservation be provided to order Chaoda to confirm the contents in locked cabinets and store room; and
- management personnel be summoned to attend the court and fined or detained in order to force the performance of their obligation.

The judge also agreed with KWM's request to accelerate the case with further summons being passed to Chaoda on 28 November 2019. KWM has also sought pre-judgment execution due to the lack of co-operation from Chaoda, which will hopefully present delays through the Chinese

court system. This request was submitted to the Court with the Court hearing the evidence on 16 December 2019.

At this first court hearing the court allowed the plaintiff and the defendant to submit additional evidence within one month. This period has now expired. The judge has confirmed that the Court is in receipt of all necessary materials required from KWM on the Company's behalf. The defendant did not submit any additional evidence. The next hearing is to be scheduled following the Chinese New Year holiday.

We are advised that that hearing is now delayed until April due to the corona virus issues being faced by the Chinese people.

The outcomes of the investigations and actions remain uncertain due to the cross border jurisdictional issues. The Board remains unable to confirm what assets exist within the Company's control in China. 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.

Concurrently the Australian Board members have been considering other mechanisms to assist the retrieval of shareholder value.

To that end we have:

- Written to the Australian Consulate-General in Guangzhou, China seeking diplomatic assistance;
- Commenced consideration of other legal actions within Australia; and
- Developed a business strategy to incorporate the XPD Brand name of which we retain control. As part of the court process we are hopeful of regaining access and confirming ownership of the manufacturing facilities.

If any shareholders have further queries we would encourage them to contact us directly on xpd@mejoritycapital.com.au

END

A handwritten signature in blue ink, appearing to read 'Simon Lill', is positioned above the printed name and title.

Simon Lill
Director