



XPD Soccer Gear Group Limited  
ABN 96 169 695 283

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530 Little Collins Street  
Melbourne VIC 3000

Telephone: (03) 9909 7412

6 July 2018

ASX Limited  
20 Bridge Street  
Sydney, NSW 2000

Attn: Ms. Luxmy Wigneswaran

Dear Ms. Wigneswaran,

### **ASX Letter 29 June 2018**

XPD Soccer Gear Group Limited's ("XPD" or the "Company") release to the ASX of 29 March 2018 (ASX: "*Board Changes*") advised of the Board appointment of Mr. Neil Sheather and Mr. Simon Lill, with the clear intent to assist XPD avoid delisting and be reinstated to trading.

The decision was made by Messrs. Sheather and Lill to protect the investment in XPD held by Mejority Capital Limited ("Mejority") of which they are also Directors. As a consequence, these efforts are also planned to protect **all** other shareholders' interests which we believe are best served by retaining XPD's ASX Listing and being reinstated to trading.

That belief has not changed since 29 March 2018 and the Company has continued to steadily move towards re-instatement, working diligently and transparently to keep the ASX and shareholders informed.

We respond to the ASX queries contained in their letter of 29 June 2018 below and in accordance with that letter's numbering.

#### **1. Off Market Transfer by Chou Qin**

##### **➤ 18 January 2017**

- i. On this date 7,200,000 shares were transferred from Chou Qin to two separate holders, as below:  
  
5,200,000 – Jinning Liang  
2,000,000 – Kefan Jiang
- ii. The shares were transferred for nil consideration.
- iii. The transfer was to family members
- iv. In accordance with CI 7.3 of the Company's Security Trading Policy this transfer was outside of 14 days prior to the release of the Annual Report.

##### **➤ 28 February 2017**

- i. On this date 600,000 shares were transferred from Chou Qin to Kefan Jiang
- ii. Nil
- iii. The transfer was to a family member.

- iv. The transfer was on the day of the release of the Preliminary Financial Report. In accordance with CI 7.5 of the Company's Security Trading Policy the Company provides guidance that employees should wait for 2 days to trade following release of financial information. However, it is guidance and not an absolute requirement.

➤ **20 March 2017**

- i. On this date 13,000,000 shares were transferred from Chou Qin to Wanjia Global Limited.
- ii. Nil
- iii. The transfer was to a family member, Peng Wan Ding, who controls Wanjia Global.
- iv. CI 7.3 of the Company's Trading Policy provides that there should not be any trades within a 14 day period of the release of the Annual Report. This transfer is just within the 14-day period, but it is an Off market transfer to a family member, and the Annual Report did not disclose any financial information that had not previously been disclosed in the Preliminary Financial Statements released on 28 February 2017.

➤ **8 June 2018**

- i. On this date 20,000,000 shares were transferred from Chou Qin to Mr Chao Wei Deng
- ii. Nil
- iii. The transfer was to a family member
- iv. This is outside of any restricted Trading period in accordance with the Company's Securities Trading Policy.

## **2. Acquisition of shares by Chou Qin**

➤ **12 March 2018**

- i. On 12 March 2018 20,000,000 shares were transferred from Citicorp Nominees to Chou Qin. The 20,000,000 shares were held by Citicorp on behalf of Chou Qin.
- ii. Nil
- iii. An internal off market transfer from shares held by a nominee on behalf of Chou Qin into Chou Qin's name.
- iv. CI 7.9 of the Company's Security Trading Policy provides for trading where there is no beneficial change in ownership.

Given the intent of questions 1 and 2 above the Company has chosen to relodge its Security Trading Policy on the ASX platform.

## **3. Appendix 3Y – Jiameng Zhang**

XPD did lodge an Appendix 3Y on 19 June which was in a similar format to the 3Y's that had previously been lodged, but which ASX rejected. Unfortunately, Mr. Lill, who had carriage of this matter, was overseas on a family matter and neglected to immediately respond to the ASX concerns.

XPD accept that the Company cannot operate in that manner and have put in place processes to ensure that all ASX responses are made in a timely fashion.

XPD relodged that 3Y on 5 July 2018. The Board is comfortable that Mr. Zhang is aware of his corporate responsibilities as both a substantial shareholder and a Director in respect of ASX notifications to change in his shareholdings. These will be lodged in a timely fashion into the future.

#### **4. Outstanding Director Fees**

Mr. Benny Qui sent an email requesting outstanding fees within an hour of the Company releasing its announcement of 29 March 2018. We responded to the email and held a phone call – initiated by ourselves – with Mr Qui where we requested that he be prepared to sign a Deed of Release with the Company as part of a settlement. He refused to do so, instead choosing to write to the auditors seeking acknowledgement of his outstanding fees. He advised he would not sign a Deed of Release.

We further endeavoured to communicate with Mr Qui with our last email to him of the 14<sup>th</sup> June 2018 seeking to resolve the matter, but to which he did not respond. It also sought Mr. Alvin Tan's details so we could also communicate with Mr. Tan. We did not receive those. We have paid Mr Qui's reimbursables.

We also understand Mr. Wayne Reid is owed some fees for his Board role. Again we have not heard directly from him, but the auditors have sent us through recent communications and we will work through that outstanding fee issue with him.

Finally Messrs. Sheather and Lill, have not received any fees for their roles to date as it is more critical to us that the Company be reinstated to trading.

The amounts claimed by the former Directors are detailed below:

Benny Qui	\$9,166 (Director Fees - inclusive of GST)
Alvin Tan	\$6,616.44 (Director Fees – inclusive of GST) \$772.21 (reimbursables)
Wayne Reid	\$8,650

#### **5. Commencement of 2017 Audit**

The audit process had not commenced by 29 March 2018 when the undersigned Directors joined the Board. There was also not enough funds in the bank account to commence the audit at that time as the auditors requiring an upfront payment to commence. The audit fee estimate was then significantly higher than the previous year, with the Company's CEO, Mr. Jiameng Zhang, wishing to negotiate the fee before agreeing to commence the work. Once the fee was agreed funds were transferred into the Australian bank account and the audit was commenced.

The audit was not delayed as a result of inability to receive funds from China.

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.

#### **6. Payment of Auditors**

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.

We discuss audit sign off and the Annual General Meeting in more detail below.

## **Moving Forward - Annual Financial Statements and AGM**

We have been in regular communications with the auditors of XPD and currently anticipate audit sign off by close on Monday 9 July.

If that is achieved we are planning to hold the AGM on Friday 10 August 2018 on the Gold Coast as we are aware there are significant shareholders based in Queensland.

We have forwarded a copy of the Notice of Meeting by separate email for your approval.

We recognise the ASX has provided a deadline of 31 July 2018 but the statutory timelines for holding such a meeting no longer allow us to achieve that date. We would respectfully request that ASX provide us with a further extension to the required date in the interests of the shareholders of XPD.

At this point XPD can see no reason that we should not be reinstated, other than that the proposed date for the AGM of Friday 10 August is regrettably slightly later than the date imposed by the ASX of 31 July 2018.

Yours sincerely,



**Simon Lill**  
Director



**Neil Sheather**  
Director

