

XPD Soccer Gear Group Ltd Corporate Governance Statement

XPD Soccer Gear Group Ltd is committed to the implementation and maintenance of good corporate governance practices. The Statement sets out the extent to which XPD Soccer Gear Group Ltd Board has followed the best practice recommendations set by the ASX Corporate Governance Council (the Principles and Recommendations) during the seven month period since listing to 31 December 2015.

The Statement is accurate and up to date as at 1 March 2016. The disclosures in this Statement respond to the ASX Corporate Governance Council's Third Edition of its Corporate Governance Principles and Recommendations.

The statement and corporate governance policy, which includes below, are posted on the XPD Soccer Gear Group website: www.xpdsoccer.com.au

- Board Charter
- Board Performance Evaluation Policy
- Code of Conduct
- Audit Committee Charter
- Remuneration and Nomination Committee Charter
- Security Trading Policy
- Continuous Disclosure Policy
- Shareholder Communications Policy
- Risk Management Policy
- Diversity Policy

Except ASX Principles and Recommendations 2.2 and 2.5, XPD complies with all other ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Principal No.	Recommendation	Compliance	Comment
1.	Lay a solid foundation for management and oversight		
1.1	Companies should disclose: <ul style="list-style-type: none"> • the respective roles and responsibilities of its board and management; and • those matters expressly reserved to the board and those delegated to management. 	Complies	The Board's responsibilities are set out in the Company's Board Charter. XPD's Board Charter is set out in the Corporate Governance Policy. The Board Charter discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of XPD to the Executive Director.
1.2	Companies should: <ul style="list-style-type: none"> • undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and • provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Complies	The Board's responsibilities in relation to director appointments are set out in the Company's Board Charter. XPD's Board Charter is set out in the Corporate Governance Policy. Appropriate checks, including bankruptcy checks and police checks are part of the listing process. Directors have not yet been elected or re-elected at an Annual General Meeting of the Company.
1.3	Companies should have a written agreement with each director and senior executive setting out the terms of their appointment	Complies	XPD has entered into such agreements with each Director and senior executive
1.4	The Company Secretary must be directly accountable to the Board, through the Chair on all matters to do with the proper functioning of the board	Complies	The Company Secretary is accountable to the Board
1.5	Companies should disclose the entity's Diversity Policy which includes requirements for the Board to set measurable objectives for achieving gender diversity.	Complies	The Board has established a Diversity Policy. The Diversity Policy is set out in the Corporate Governance Policy. Disclosure of the measurable objectives will be provided in the Company's annual report.
1.6	A listed entity should:	Complies	The performance evaluation of Board members occurs by way of:

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	<ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 		<ul style="list-style-type: none"> • the Chairperson meeting with each non-executive directors separately to discuss individual performance and ideas for improvement; and • the Board as a whole discussing and analysing its own performance during the year including suggestions for change and improvement.
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of its senior executives; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Complies	The Board will meet annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Company as a whole.

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2. Structure the Board to add value			
2.1	The board of a listed entity should have a nomination committee.	Complies	<p>The Board has established a Nomination and Remuneration Committee. The function of the Nomination and Remuneration Committee is set out in the Nomination and Remuneration Committee Charter. XPD's Nomination and Remuneration Committee Charter is set out in the Corporate Governance Policy. The Nomination and Remuneration Committee is chaired by Ben Meikle, an independent director.</p> <p>The Nomination and Remuneration Committee consists of three independent Non-Executive Directors.</p> <p>The Company has disclosed in this Prospectus the names and relevant qualifications and experience of the members of the Nomination and Remuneration Committee.</p> <p>The Company will disclose in its Annual Report details of the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Does not comply	<p>The Board currently does not have a skills matrix. The Board will consider completing and disclosing a board skills matrix setting out the mix of skills that the Company seeks.</p> <p>Given the size and nature of the Company, the Board considers that the current Board has the requisition mix of skills required for such a Company.</p>
2.3	A listed entity should disclose the names of the directors considered by the board to be independent directors and the length of service of each director.	Complies	<p>The following are independent Directors of the company:</p> <ul style="list-style-type: none"> • Mr Andrew Smith • Mr Ben Meikle • Mr Andrew Plympton

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			Each independent Director has recently joined the Board,
2.4	A majority of the board should be independent directors.	Complies	<p>The Board currently has an even split of independent and non-independent Directors. The Board seeks to nominate persons for appointment to the Board who have the qualification, experience and skills to augment the capabilities of the Board.</p> <p>Given the size and nature of the Company, the Board considers the composition of the Board is appropriate at this stage.</p>
2.5	The chair of the Board should be an independent director and should not be the same person as the Chief Executive Officer.	Does not comply	<p>The Chairman Shui-Chiao Chang is not independent as he is the founder of XPD Group's business and holds interests in XPD. But Shui-Chiao Chang is a non-executive Director. The Board believes that Shui-Chiao Chang is the most appropriate person to act as the Chairman and lead the Board given his extensive experience in the sportswear industry in China. Further, Shui-Chiao Chang has unmatched and extensive knowledge of XPD Group's operations and important business relationships that XPD Group as a whole benefits from.</p> <p>The Chairperson and Chief Executive Officer role are held by different individuals.</p> <p>Given the size and nature of the Company, the Board considers that it is appropriate that the Chairman is not independent.</p>
2.6	Companies should have a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.	Complies	A formal induction is provided to all new directors, including meetings with the Chief Executive Officer, Chairman and information on key corporate and Board policies, and visits to the Company's operations.

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3. Act ethically and responsibly			
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> • establish a code of conduct for its directors, senior executives and employees; and • disclose the code or a summary of the code or a summary of it. 	Complies	The Board has established a Code of Conduct, which is set out in the Corporate Governance Policy. The Code of Conduct provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism courtesy and respect.
4. Safeguard integrity in financial reporting			
4.1	<p>The board should establish an audit committee which:</p> <ul style="list-style-type: none"> • consists of at least three members all of whom are non-executive directors, the majority of whom are independent directors; • is chaired by an independent director who is not the chairman of the Board. <p>The board must disclose the charter of the audit committee, the relevant qualifications and experience of the members of the committee and the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>	Complies	<p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is set out in the Audit and Risk Management Committee Charter. XPD's Audit and Risk Management Committee Charter is set out in the Corporate Governance Policy.</p> <p>The Audit and Risk Management Committee is chaired by Andrew Smith, an independent director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three independent Non-Executive Directors.</p> <p>The Company has disclosed in this Prospectus the names and relevant qualifications and experience of the members of the Audit and Risk Management Committee.</p> <p>The Company will disclose in its Annual Report details of the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>
4.2	Before approving a company's financials, the Board must receive declarations from the Company's Chief Executive Officer and Chief Financial Officer that in their opinion,	Complies	Prior to approving the Annual Accounts and Half Yearly Accounts, the Board receives the necessary declaration from the Chief Executive Officer and Chief

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	the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		Financial Officer.
4.3	Companies must ensure that its external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.	Will comply	XPD's auditor will attend its Annual General Meeting to answer questions.
5. Make timely and balanced decisions			
5.1	A listed entity should: <ul style="list-style-type: none"> • have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules; and • disclose that policy or a summary of it. 	Complies	The Board has adopted a Continuous Disclosure Policy which is set out in the Corporate Governance Policy. XPD respects the rights of its shareholders and to facilitate the exercise of those rights, the Company is committed to communicating effectively with shareholders, providing shareholders with ready access to balanced and understandable information about the Company and corporate proposals and making it easier for shareholders to participate in general meetings of the Company.
6. Respect the rights of shareholders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	XPD has established on its website chinaxpd.com, a corporate governance landing page from where all relevant corporate governance material can be accessed.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way	Complies	The Company's Shareholders Communications Policy aims to ensure that the shareholders are informed of all major developments affecting the Company's

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	communication with investors.		state of affairs.
6.3	A listed entity should disclose the policies it has in place to facilitate and encourage participation at meetings of shareholders.	Complies	The Company's Shareholders Communication Policy is designed to ensure that shareholders are informed of all relevant developments. XPD intends to establish on its website a facility for all shareholder communications.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	Through the Company's registry services provider, shareholders will be able to communicate with the Company electronically with respect to matters affecting their shareholding.
7. Recognise and manage risk			
7.1	<p>The board should establish a risk management committee which:</p> <ul style="list-style-type: none"> • has at least 3 members, the majority of whom are independent directors; • is chaired by an independent director. <p>The board must disclose the charter of the risk management committee, members of the risk management committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>	Complies	<p>The Board has established an Audit and Risk Management Committee. The function of the Audit and Risk Management Committee is set out in the Audit and Risk Management Committee Charter.</p> <p>XPD's Audit and Risk Management Committee Charter is set out in the Corporate Governance Policy.</p> <p>The Audit and Risk Management Committee is chaired by Andrew Smith, an independent director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three independent Non-Executive Directors.</p> <p>The Company has disclosed in this Prospectus the names and relevant qualifications and experience of the members of the Audit and Risk Management Committee.</p> <p>The Company will disclose in its Annual Report details of the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>
7.2	The board should:	Complies	The Board reviews the Risk Management Policy at least annually and disclose

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	<ul style="list-style-type: none"> • review the company's risk management framework at least annually; and • disclose whether such review has taken place. 		whether such a review has been undertaken.
7.3	<p>A listed entity should disclose;</p> <ul style="list-style-type: none"> • their internal audit function, how the function is structured and what role it performs; or • if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	Complies	<p>The Board has established an Audit and Risk Committee Charter. The Charter contains in it the Internal Audit Function of the Committee.</p> <p>The Audit and Risk Committee consists of at least three members. Members are appointed by the Board 'where possible' from amongst the Non-Executive Directors, a majority of who, 'where possible', will also be independent and the committee has appointed an independent Director, other than the Chairman of the Board, to be Chairman of the Audit and Risk Committee.</p> <p>The Internal Audit Function will evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with the Board and the External Auditors.</p> <p>Among other things the Internal Audit Function reviews and approves audited annual and half yearly reports, and ensures it receives a declaration from the CEO, or CFO that in their opinion the financial records of the entity have been properly maintained.</p> <p>The Internal Audit Function is also responsible for appointing an external auditor for the Company, monitoring and reviewing the propriety of any related party transactions and providing a forum of communication between the Board, senior management and staff involved in internal control procedures through regular meetings.</p>
7.4	A listed entity should disclose whether they have any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or	Complies	The Company intends to disclose the relevant information in the future annual reports.

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	intends to manage those risks.		
8. Remunerate fairly and responsibly			
8.1	<p>The board should establish a remuneration committee which:</p> <ul style="list-style-type: none"> • has at least 3 members, the majority of whom are independent directors; • is chaired by an independent director. <p>The board must disclose the charter of the remuneration committee, members of the remuneration committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>	Complies	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is set out in the Nomination and Remuneration Committee Charter set out in the Corporate Governance Policy.</p> <p>The Nomination and Remuneration Committee is chaired by Ben Meikle, an independent director.</p> <p>The Nomination and Remuneration Committee consists of three independent Non-Executive Directors.</p> <p>The Company has disclosed in this Prospectus the names and relevant qualifications and experience of the members of the Nomination and Remuneration Committee.</p> <p>The Company will disclose in its Annual Report details of the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors from that of executive directors and other senior executives.	Complies	The Company will distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives in compliance with this recommendation in its annual reports.
8.3	Companies which have equity-based remuneration schemes should have and disclose a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the	Complies	The Company does not have an equity-based remuneration scheme.

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	economic risk of participating in the scheme.		