



**XPD SOCCER GEAR GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 96 169 695 283

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2015**

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Contents

| | Page |
|---|-------------|
| Corporate Information | 1 |
| Directors' Report | 2 |
| Auditor's Independence Declaration | 18 |
| Corporate Governance Statement | 19 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 20 |
| Consolidated Statement of Financial Position | 21 |
| Consolidated Statement of Changes in Equity | 22 |
| Consolidated Statement of Cash Flows | 23 |
| Notes to the Consolidated Financial Statements | 24 |
| Directors' Declaration | 56 |
| Independent Auditor's Report | 57 |
| ASX Information | 60 |

Corporate Information

XPD Soccer Gear Group Limited Shares (ASX Code: XPD)

Directors

Mr Shui-Chiao Chang, Non-Executive Chairman
Mr Jiameng Zhang, Managing Director and Chief Executive Officer
Mr Jiashun Zhang, Executive Director and Chief Operating Officer
Mr Andrew J Plympton, Non-Executive Director
Mr Andrew Smith, Non-Executive Director
Mr Ben Meikle, Independent Non-Executive Director

Company Secretary

Mr Ting Jiang

Registered Office

Level 1, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Banker

ANZ
Collins Place
55 Collins Street
Melbourne VIC 3000

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville SA 5034

Website Address

www.xpdsoccer.com.au

All monetary amounts in this report are in Australian dollars unless stated otherwise.

The financial year begins on 1 January and ends on 31 December each year.

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Directors' Report

The Directors of XPD Soccer Gear Group Limited ('XPD') present their Report together with the financial statements of the consolidated entity, being XPD ('the Company') and its Controlled Entities ('the Group') for the year ended 31 December 2015.

Director details

The following persons were Directors of XPD during or since the end of the financial year.

Mr Jiameng Zhang

Managing Director and CEO (Appointed 6 November 2014)

Mr Zhang is responsible for overall management of XPD Group's business and strategic planning. He has over 15 years of experience in the sportswear industry and has successfully built the XPD brand into a well-recognised sportswear brand in particular soccer footwear brand in China.

Mr Zhang holds an Executive Master of Business Administration from Huaqiao University China.

He is the deputy Chairman of Fujian Provincial Football Association and the Chairman of Jinjiang City Football Association.

Other current listed company Directorships:

- None

Previous listed company Directorships (last 3 years):

- None

Interests in shares:

- 140,882,900^(a)

Interest in options:

- None

^(a) Held by Chou Qin International Co., Ltd in which Managing Director, Jiameng Zhang has a 60% interest (Remaining 40% is held by Shui-Chiao Chang), 140,882,900 shares represents 60% of the shares held by Chou Qin International. Jiashun Zhang (holds 15,321,477 shares through 100% interest in Meng Shun Da Group Co., Ltd) and Chia-Ta Chang (holds 13,661,651 shares through Wanjia Global Limited) are brothers of Jiameng Zhang. Shui-Chiao Chang is the father of Jiameng Zhang.

Mr Andrew Smith

Non-Executive Director (Appointed 31 January 2015)
Deputy Non-Executive Chairman (Appointed 26 August 2015)
Chairman of the Audit and Risk Management Committee

Andrew's business career has focussed on finance and the financial markets in the Asia Pacific. Utilising the experience gained in his working career, he is now involved with a number of non-executive and consulting positions.

He was formerly the Managing Director and Chief Executive of the stockbroking and corporate finance group Intersuisse Ltd (now Phillip Capital) from 2000 to 2010, and Executive Director of Phillip Asset Management Ltd from 2008 to 2010. Prior to that Andrew was Chairman of the Sedgwick Group in the Asia Pacific from 1995 to 2000.

Other current listed company Directorships:

- None

Previous listed company Directorships (last 3 years):

- None

Interests in shares:

- 40,000^(b)

Interest in options:

- None

^(b) 10,000 shares held directly by Deputy Non-executive Chairman, Andrew Smith. Indirect holdings held through Smith Super Investment Pty Ltd (10,000 shares), Andrew Smith Investment Pty Ltd (10,000 shares) and Lisa Mary Smith (10,000 shares).

Mr Benjamin Meikle

Independent Non-Executive Director (Appointed 6 February 2015)
Chairman of the Remuneration and Nomination Committee

Mr Meikle is an experienced finance professional with expertise across capital and global markets. He began his career at the Commonwealth Bank in the Australian equity team and gained experience at a range of Australian owned investment firms.

Mr Meikle is now Head of International Advisory at Carnbrea & Co Limited, which is a multi-family office and wealth advisory boutique, serving the wealth management needs of high net worth families.

Other current listed company Directorships:

- None

Previous listed company Directorships (last 3 years):

- None

Interests in shares:

- None

Interest in options:

- None

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Mr Jiashun Zhang

Executive Director and COO (Appointed 9 February 2015)

Mr Zhang is responsible for XPD Group's purchase and production operations. He has over 14 years of experience in the sportswear industry in China.

Mr Zhang holds a Bachelor of Commerce from Xiamen University.

Other current listed company Directorships:

- None

Previous listed company Directorships (last 3 years):

- None

Interests in shares:

- 15,321,477^(c)

Interest in options:

- None

^(c) Held by Meng Shun Da Group Co., Ltd in which Executive Director, Jiashun Zhang, has a 100% interest. Jiameng Zhang (holds 234,804,834 shares through 60% interest in Chou Qin International Co., Ltd) and Chia-Ta Chang (holds 13,661,651 shares through Wanjia Global Limited) are brothers of Jiashun Zhang. Shui-Chiao Chang (holds 93,921,934 shares through 40% interest in Chou Qin International Co., Ltd) is the father of Jiashun Zhang.

Mr Shui-Chiao Chang

Non-Executive Chairman and Director (Appointed 9 February 2015)

Mr Chang is the founder of XPD Group and has played a vital role in the early development of XPD Group's business.

Mr Chang is an experienced entrepreneur and has over 24 years of experience in the sportswear industry in China.

Other current listed company Directorships:

- None

Previous listed company Directorships (last 3 years):

- None

Interests in shares:

- 93,921,934^(d)

Interest in options:

- None

^(d) Held by Chou Qin International Co., Ltd in which Non-executive Chairman, Shui-Chiao Chang has a 40% interest (Remaining 60% is held by Jiameng Zhang), 93,921,934 shares represents 40% of the shares held by Chou Qin International. Jiameng Zhang, Jiashun Zhang (holds 15,321,477 shares through 100% interest in Meng Shun Da Group Co., Ltd) and Chia-Ta Chang (holds 13,661,651 shares through Wanjia Global Limited) are sons Shui-Chiao Chang.

Mr Andrew Plympton

Non-Executive Director (Appointed 21 February 2015)

Mr Plympton brings a wealth of experience in a diverse range of commercial activities. He has had 35 years in the financial services area as either Managing Director/Executive Chairman of a number of international insurance brokers and risk managers with added skill in captive management.

In the public company sector Mr Plympton has been active for over 10 years and has served as either Non-Executive Chairman or Non-Executive Director of nine companies.

In addition Mr Plympton is an Executive Member of the Australian Olympic Committee and Director of the Australian Olympic Foundation Limited, a Commissioner of the Australian Sports Commission.

Other current listed company Directorships:

- Bitcoin Group Ltd (ASX:BCG) (Appointed 25 June 2015)
- Shoply Limited (ASX:SHP) (Appointed 9 February 2010)
- Energy Mad Limited (NZX:MAD) (Appointed 5 March 2009)

Previous listed company Directorships (last 3 years):

- KNeoMedia Limited (ASX:KNM) (26 August 2010 – 21 October 2015)
- Newsat Limited (ASX:NWT) (18 Feb 2010 – 30 June 2014)
- Sunbridge Group Limited (ASX:SBB) (23 July 2013 – 30 December 2014)

Interests in shares:

- 25,000

Interest in options:

- None

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Company Secretary

Mr Ting Jiang is a qualified Certified Practising Accountant in Australia and has broad experience in corporate finance and corporate advisory and legal practice, and has completed a range of capital market transactions in both Australia and China. Mr Jiang was appointed since 18 November 2014.

Principal activities

During the year, the principal activities of entities within the Group were: designing, developing, manufacturing, distributing and marketing sportswear with a focus on soccer wear under the “XPD” brand.

There have been no significant changes in the nature of these activities during the year.

Review of operations and financial results

FY2015 has been an outstanding year for XPD Group. The team has delivered continued growth in revenue and profit, whilst managing the successful listing of the Group on the ASX. We continued to increase XPD distributors and retail outlets in China, and invested significantly in XPD brand marketing and promotion.

- Sales revenue of FY2015 increased by 35.9% to \$102.3million when compared to FY2014 as a result of continued expansion of sales channels and network, and increased in sale of XPD brand footwear in particular soccer footwear.
- The gross profit margin has maintained at 33%.
- Net profit (excluding non-recurring costs of \$818,177 associated with the IPO) increased by 11.4% to \$17.05 million for FY2015 from \$15.3 million in FY2014. Such increase in net profit during the period was primarily due to an increase in sales and marketing effort by the Company.
- Total sales and marketing expenses for FY2015 amounted to approximately \$6.9 million (FY2014: \$3.0 million), representing an increase of 130% from FY 2014. The increase was mainly attributable to increased expenses associated with advertising and promotion activities for our brand and increase in staff costs.
- Total administrative expenses for FY2015 amounted to \$3.0 million (FY2014: \$0.9 million), representing an increase of 233% when compared to FY2014. The increase was mainly caused by increased staff costs, consulting costs and donations made to schools and community.
- Foreign exchange translation gain of \$2.2million, arising from the appreciation of RMB against AUD during the year.
- Cash balances as at end of FY2015 have increased from \$12.6million to \$37.7million. The two primary sources of this increase are the capital raising in FY2015 and positive net cash inflow from operations.

Review of operations and financial results (cont.)

Operations review

Distribution

The XPD retail outlets, which are owned and operated either by our distributors or by independent third parties, have been providing an effective retail channel for our products throughout China. The Group continued to increase the number of both distributors and retail outlets. As at 31 December 2015, the total number of XPD retail outlets was 2,062, representing a net increase of 124 outlets when compared to FY2014, and the number of distributors increased to 240 (FY2014:226). Low-tier cities in China in particular the second, third and fourth tier cities have been the Group's focused markets because of their faster economic growth, less intense competition and less brand loyalty when compared to the first-tier cities. Accordingly, most of XPD retail outlets are located in those cities.

E-commerce

We believe e-commerce is an effective and efficient way to further promote our brand and products beyond geographical boundaries. We have on-line stores on well-known third party e-commerce platforms including Tmall, JD.com. Paixie.net.

Campus soccer

In line with Chinese Governments' recent move to make soccer a compulsory part of the national curriculum and to further promote soccer among youngsters in China, we have strengthened our resources in junior soccer and launched soccer collections for children/teenager. We sponsored football leagues and individual football clubs at school and college levels, and innovatively introduced "school + XPD+ soccer club" model, which XPD provide soccer products and soccer club provide coaches. This model has been firstly rolled out in Fujian Province where the Group is located.

Marketing and promotion

Brand marketing and promotion is crucial to our continuous success in the sportswear industry. To maintain a simple and consistent brand message to our consumers, XPD has been employing a focused marketing strategy by focusing on soccer since 2005 although it offers products for other sports. During FY2015, XPD invested significantly in marketing and promotion. XPD employs various traditional media such as commercial television, outdoor, newspapers and magazines, while it supports the growth in its brand through social media promotion activities.

XPD endeavoured to establish its brand recognition and reputation in Australia by sponsorships. We sponsored Queensland U15 Soccer Tour to Japan in September 2015 and Queensland U19 Soccer Team for the Pacific School Games in Adelaide in November 2015.

Production

Our footwear products are manufactured either by the Group's own production facility located in Jinjiang City or contract manufacturers. We believe that maintaining in-house production capabilities has several advantages including better control over the production process, greater ability and flexibility to respond promptly to market changes, and better bargaining power over contract manufacturers. The in-house production of footwear for FY2015 accounted for 67% (2014: 62%) of the total production volume. All apparels and accessories production are outsourced.

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Review of operations and financial results (cont.)

Henan Yuanlong

The Group entered a joint venture, Henan Yuanlong Industrial Co., Ltd (Yuanlong), with six other independent parties in 2013. The company owns a 26% equity interest in Yuanlong (refer to Note 19 for further information). Yuanlong purchased a land of approximately 324,002 sqm in Sui County of Shangqiu City of Henan Province for developing sportswear related business. The land is under development in three stages. Construction of eight factory buildings and two dormitories is being currently completed.

Labor costs in Eastern coastal areas in China continue to increase and are significantly higher than Central China where Henan Province is located. In order to decrease labor costs and increase in-house production to meet increasing demands for our products, XPD plans to lease factories from the associate and install two new production lines in the first half of FY2016. That will provide additional production capacity of two million pairs of shoes per annum.

Significant changes in the state of affairs

During the year, the following changes occurred within the Group:

- issue of share capital:
 - Pursuant to a Share Sale Deed dated 16 February 2015, China Soccer Holdings, the intermediate holding company incorporated in Hong Kong, and its controlled entities, became subsidiaries of the Company; and
 - on 18 May 2015, the Group issued 33,075,500 shares as part of its capital raising program which resulted in proceeds of \$6.6m. Each share issued has the same terms and conditions as the existing ordinary shares.
- The Company was listed on the Australian Securities Exchange on 21 May 2015.

Dividends

On 3 March 2016, the Directors have recommended an unfranked final dividend of 1cent per share to be paid on 30 May 2016 (2014: \$nil).

Events arising since the end of the reporting period

Other than the dividend declared above, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial year

Likely developments, business strategies and prospects

The development of the sports sector has been designated as a China national strategy, with specific goals including the promotion of national participation of sports activities, enhancement of the sports industry, and boost in related consumption to create a RMB5 trillion market by 2025.

As awareness of health and popularity of sports participation rise, consumers will place more emphasis on the functional and professional features of sportswear products. With soccer gaining popularity across China, demand for related soccer products will continue to surge as a result of more participants in this sport.

XPD has developed a comprehensive strategy to deliver continued growth through:

- further enhancement of brand awareness
- distribution growth in China
- innovating new products with new technologies/materials
- focus on soccer sector while increasing sales in sportswear for other sports categories in particular badminton and table tennis
- ramping up in-house production capacity by investing in two production lines at the Yuanlong facility in Henan Province

We expect FY2016 to be a year of further growth for XPD.

Directors' meetings

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

| Directors' name | Board Meetings | | Audit and Risk Committee | | Nomination and Remuneration Committee | |
|-------------------------|----------------|---|--------------------------|---|---------------------------------------|---|
| | A | B | A | B | A | B |
| Jiameng Zhang | 4 | 4 | - | - | - | - |
| Andrew Smith | 4 | 4 | 1 | 1 | 1 | 1 |
| Benjamin Meikle | 4 | 4 | 1 | 1 | 1 | 1 |
| Jiashun Zhang | 4 | 2 | - | - | - | - |
| Shui-Chiao Chang | 4 | 2 | - | - | - | - |
| Andrew Plympton | 4 | 4 | 1 | 1 | 1 | 1 |

Where:

- column A is the number of meetings the Director was entitled to attend
- column B is the number of meetings the Director attended

Unissued shares under option

There are no share options issued by the Company.

Remuneration Report (audited)

The Directors of XPD Soccer Gear Group Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other key management personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Service agreements
- d. Share-based remuneration; and
- e. Other information.

a Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee may engage independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities as required. The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

Performance-based remuneration

XPD Soccer Gear Group Limited pays out cash bonuses annually at the directors' discretion to all staff, including executive Key Management Personnel, employed at Jinjiang Chaoda Shoes and Garments Co., Limited, the Group's operating subsidiary in China. The payment is not contractual and is dependent on Group performance and KPI assessments.

Use of Remuneration Consultants

No Remuneration consultant has been engaged by the Company during the year (2014: none).

XPD Soccer Gear Group Limited and its Controlled Entities
Consolidated Financial Report
For the year ended 31 December 2015

Voting and comments made at the Company's last Annual General Meeting

As XPD was admitted to the official list on ASX on the 19 May 2015, no voting at an Annual General Meeting was required surrounding remuneration.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year:

| Item | 2015 | 2014 |
|------------------------------------|------------|---------------------|
| EPS (cents) | 7.12 | 6.71 |
| Dividends (cents per share) | - | - |
| Net profit / loss (\$'000) | 16,236,799 | 15,302,916 |
| Share price (\$) | 0.20 | -(^(b)) |

(^(a)) As per the company was incorporated on 22 May 2014 and as a result no comparative information available.

(^(b)) XPD was admitted to the official list on ASX on the 19 May 2015 and as a result no share price is available for the period ending 31 December 2014.

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XPD Soccer Gear Group Limited and its Controlled Entities
Consolidated Financial Report
For the year ended 31 December 2015

b Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of XPD Soccer Gear Group Limited are shown in the table below:

| Director and other Key Management Personnel remuneration | | | | | | | | | | |
|---|-------------|------------------------------|---------------|-----------------------|--------------------------|--------------------|----------------------|----------------------|----------------|--|
| | Year | Short term employee benefits | | | Post-employment benefits | Long-term benefits | Termination benefits | Share-based payments | Total | Performance based percentage of remuneration |
| | | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation | Long service leave | Termination payments | Options | | |
| Executive Directors | | | | | | | | | | |
| Jiameng Zhang (Chief Executive Officer) | 2015 | 38,466 | 6,411 | - | - | - | - | - | 44,877 | - |
| | 2014 | 22,962 | 3,612 | - | - | - | - | - | 26,574 | - |
| Jiashun Zhang (Chief Operating Officer) | 2015 | 17,951 | 2,992 | - | - | - | - | - | 20,943 | - |
| | 2014 | 11,486 | 1,806 | - | - | - | - | - | 13,292 | - |
| Non-Executive Directors | | | | | | | | | | |
| Shui-Chiao Chang (Chairman of the Board) | 2015 | 37,825 | 6,411 | - | - | - | - | - | 44,236 | - |
| | 2014 | 20,001 | 3,612 | - | - | - | - | - | 23,613 | - |
| Andrew Smith (Deputy Chairman of the Board, Chairman of the Audit and Risk Management Committee) | 2015 | 25,000 | - | - | - | - | - | - | 25,000 | - |
| | 2014 | - | - | - | - | - | - | - | - | - |
| Benjamin Meikle (Chairman of the Remuneration and Nomination Committee) | 2015 | 48,000 | - | - | - | - | - | - | 48,000 | - |
| | 2014 | - | - | - | - | - | - | - | - | - |
| Andrew Plympton | 2015 | 48,000 | - | - | - | - | - | - | 48,000 | - |
| | 2014 | - | - | - | - | - | - | - | - | - |
| Key Management Personnel | | | | | | | | | | |
| Renfeng Xiu (Chief Financial Officer) | 2015 | 25,430 | 4,274 | - | - | - | - | - | 29,704 | - |
| | 2014 | 15,893 | 2,167 | - | - | - | - | - | 18,060 | - |
| Ting Jiang (Company Secretary) | 2015 | 48,000 | - | - | - | - | - | - | 48,000 | - |
| | 2014 | - | - | - | - | - | - | - | - | - |
| 2015 Total | 2015 | 288,672 | 20,088 | - | - | - | - | - | 308,760 | - |
| 2014 Total | 2014 | 70,342 | 11,197 | - | - | - | - | - | 81,539 | - |

c Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

| Name | Base salary | Term of agreement | Notice period |
|--|-------------|-------------------|----------------|
| Jiameng Zhang (Chief Executive Officer) | 38,466 p.a. | 5 Years | 30 Days |
| Jiashun Zhang (Chief Operating Officer) | 17,951 p.a. | 5 Years | 30 Days |
| Renfeng Xiu (Chief Financial Officer) | 25,430 p.a. | 5 Years | 30 Days |

d Share-based remuneration

There were no options or equity instruments issued by XPD to directors or KMP as part of their remuneration.

e Other information

Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest:

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| Jinjiang XPD Import and Export Ltd ^(a) | | |
| Sales made to the related party | 2,672,260 | 3,730,933 |
| Payment received from the related party | (2,703,095) | (5,781,567) |
| Cash advanced to the related party | - | 5,148,022 |
| | 2015 | 2014 |
| | \$ | \$ |
| Shaohua Zhang ^(b) | | |
| Cash advanced to the related party | 1,806,192 | 1,032,490 |
| Payment received from the related party | (1,806,192) | (1,242,799) |

^(a)Mr. Zhang Jiameng (Managing Director) is a shareholder of the entity.

^(b)Shaohua Zhang is a relative of Mr. Zhang Jiameng (Managing Director).

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e Other information (cont.)

Transaction with related parties and key management personnel (cont.)

| | 2015 | 2014 |
|---|------|-----------|
| | \$ | \$ |
| Henan Yuanlong Industrial Co., Ltd^(c) | | |
| Cash advanced to the related party | - | 9,896,880 |

| | 2015 | 2014 |
|--|-----------|------|
| | \$ | \$ |
| Jiameng Zhang (Director) | | |
| Purchases made on behalf of Company by the related party – IPO costs | 1,624,301 | - |
| Repayment to the related party | (782,600) | - |

(c) Henan Yuanlong Industrial Co., Ltd is an associate to Jinjiang Chaoda Shoes and Garment Co., Ltd.

Balances with related parties and key management personnel

Amounts receivable from and payable to key management personnel and their related entities at balance date arising are as follows:

| 2015 | Receivable from related party | Investment in related party | Payable to related party |
|---|-------------------------------------|-----------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Jinjiang XPD Import and Export Ltd ^(a) | 1,026,140 | - | - |
| Henan Yuanlong Industrial Co., Ltd ^(b) | - | 15,790,280 | - |
| Jiameng Zhang (Director) | - | - | 841,701 |
| | 1,026,140 | 15,790,280 | 841,701 |

| 2014 | Receivable from related party | Investment in related party | Payable to related party |
|---|-------------------------------------|-----------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Jinjiang XPD Import and Export Ltd ^(a) | 998,039 | - | - |
| Henan Yuanlong Industrial Co., Ltd ^(b) | - | 14,915,120 | - |
| | 998,039 | 14,915,120 | - |

(a) Mr. Zhang Jiameng (Managing Director) is a shareholder of the entity.

(b) Henan Yuanlong Industrial Co., Ltd is an associate to Jinjiang Chaoda Shoes and Garment Co., Ltd.

Related party balances comprise trade receivables and payables which have arisen from the normal course of business and related party loans. Amounts payable to Mr. Jiameng Zhang relate to IPO expenses incurred on behalf of the company that are due for reimbursement. Investment in related party relates to investment in associate (refer Note 19). No specific terms and conditions have been attached to the above transactions.

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e Other information (cont.)

Interest in shares and options

| | Opening balance | Received as compensation | Options exercised | Net Change Other | Closing Balance | % of Total Shares on Issue |
|---|-----------------|--------------------------|-------------------|--------------------|--------------------|----------------------------|
| Executive Directors | | | | | | |
| Jiameng Zhang ⁽¹⁾⁽³⁾ (Chief Executive Officer) | 10 | - | - | 140,882,890 | 140,882,900 | 36.74% |
| Jiashun Zhang ⁽²⁾⁽³⁾ (Chief Operating Officer) | - | - | - | 15,321,477 | 15,321,477 | 4.00% |
| Non-Executive Directors | | | | | | |
| Shui-Chiao Chang ⁽¹⁾⁽³⁾ (Chairman of the Board) | - | - | - | 93,921,934 | 93,921,934 | 24.50% |
| Andrew Smith ⁽⁴⁾ (Deputy Chairman of the Board, Chairman of the Audit and Risk Management Committee) | - | - | - | 40,000 | 40,000 | 0.01% |
| Benjamin Meikle (Chairman of the Remuneration and Nomination Committee) | - | - | - | - | - | - |
| Andrew Plympton | - | - | - | 25,000 | 25,000 | 0.01% |
| Key Management Personnel | | | | | | |
| Renfeng Xiu (Chief Financial Officer) | - | - | - | - | - | - |
| Ting Jiang (Company Secretary) | - | - | - | 67,500 | 67,500 | 0.02% |
| Total | 10 | - | - | 250,258,801 | 250,258,811 | 65.28% |

⁽¹⁾ Shares held by Chou Qin International Co., Ltd in which Non-executive Chairman, Shui-Chiao Chang and Managing Director, Jiameng Zhang have a 40% and 60% interest respectively.

⁽²⁾ Shares held by Meng Shun Da Group Co., Ltd in which Executive Director, Jiashun Zhang has a 100% interest.

⁽³⁾ Chia-Ta Chang holds 13,661,651 shares through Wanja Global Limited. Shui-Chiao Chang is the father of Jiameng Zhang, Jiashun Zhang and Chia-Ta Chang. Total shares held by Shui-Chiao Chang and his sons amount to 263,787,962 which represents 68.80% of total shares on issue.

⁽⁴⁾ 10,000 shares held directly by Deputy Non-executive Chairman, Andrew Smith. Indirect holdings held through Smith Super Investment Pty Ltd (10,000 shares), Andrew Smith Investment Pty Ltd (10,000 shares) and Lisa Mary Smith (10,000 shares).

End of audited Remuneration Report.

Environmental legislation

XPD Soccer Gear Group Limited operations are not subject to any particular or significant environmental regulation under a law of the People's Republic of China, Hong Kong and the Commonwealth or of a State or Territory in Australia.

Indemnities given to, and insurance premiums paid for, auditors and officers

Insurance of officers

During the year, XPD Soccer Gear Group Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Indemnity of auditors

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

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Non-audit services (cont.)

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 12 to the financial statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included in this financial report and forms part of this Directors' Report.

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Signed in accordance with a resolution of the Directors:



Andrew, Smith
Non-Executive Deputy Chairman and Director

7 March 2016

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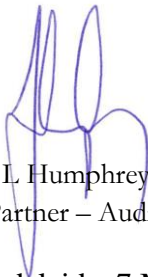
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XPD SOCCER GEAR GROUP LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of XPD Soccer Gear Group Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 7 March 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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 7th 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

| | Note | 2015 \$ | 2014 \$ |
|--|------|-------------------|-------------------|
| Sales revenue | 8 | 102,255,795 | 75,235,915 |
| Cost of sales | | (68,454,015) | (50,380,601) |
| Gross profit | | 33,801,780 | 24,855,314 |
| Other revenues | 8 | 135,726 | 59,517 |
| Sales and marketing expenses | 9 | (6,856,501) | (2,965,424) |
| Capital raising expenses | | (818,177) | - |
| Administration expenses | 9 | (3,027,401) | (926,466) |
| Share based payments | 23 | (60,000) | - |
| Finance costs | 10 | (647,868) | (605,634) |
| Share of partnership profit or loss using equity method | 19 | - | - |
| Profit before income tax | | 22,527,559 | 20,417,307 |
| Income tax expense | 11 | (6,290,760) | (5,114,391) |
| Profit for the year attributable to members of the parent | | 16,236,799 | 15,302,916 |
| Other comprehensive income <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange difference on translating foreign operations | | 2,180,345 | 3,386,330 |
| Total comprehensive income for the year attributable to members of the parent | | 18,417,144 | 18,689,246 |

Earnings per share on profit attributable to ordinary equity holders

| | | | |
|--|---|------|------|
| Basic earnings per share (cents per share) | 7 | 7.12 | 6.71 |
| Diluted earnings per share (cents per share) | 7 | 7.12 | 6.71 |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2015

| | Note | 2015 \$ | 2014 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 13 | 37,748,751 | 12,635,117 |
| Trade and other receivables | 14 | 18,557,430 | 16,030,378 |
| Inventories | 15 | 8,150,271 | 5,994,092 |
| Prepayments | 16 | - | 567,099 |
| Total current assets | | 64,456,452 | 35,226,686 |
| Non-current assets | | | |
| Property, plant and equipment | 17 | 7,054,825 | 7,253,569 |
| Land use rights | 18 | 659,866 | 593,342 |
| Investment in associate | 19 | 15,790,280 | 14,915,120 |
| Total non-current assets | | 23,504,971 | 22,762,031 |
| Total assets | | 87,961,423 | 57,988,717 |
| Current liabilities | | | |
| Trade and other payables | 20 | 4,988,889 | 3,295,900 |
| Financial liabilities | 21 | 11,049,465 | 12,233,190 |
| Current tax liabilities | 22 | 1,538,720 | 1,876,941 |
| Total current liabilities | | 17,577,074 | 17,406,031 |
| Long-term financial liabilities | 21 | 422,200 | - |
| Total non-current liabilities | | 422,200 | - |
| Total liabilities | | 17,999,274 | 17,406,031 |
| Net assets | | 69,962,149 | 40,582,686 |
| Equity | | | |
| Issued capital | 23 | 13,728,653 | 2,766,334 |
| Reserves | 25 | 8,226,610 | 4,768,906 |
| Retained earnings | | 48,006,886 | 33,047,446 |
| Total equity | | 69,962,149 | 40,582,686 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Issued Capital | Retained earnings | Foreign Exchange Reserve | Statutory Reserves | Total |
|---|-------------------|----------------------|--------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2014 | 2,761,410 | 17,744,530 | - | 1,382,250 | 21,888,190 |
| Profit after income tax expense for the year | - | 15,302,916 | - | - | 15,302,916 |
| Other comprehensive income | - | - | 3,386,330 | - | 3,386,330 |
| Total comprehensive income for the year | - | 15,302,916 | 3,386,330 | - | 18,689,246 |
| Transactions with owners in their capacity as owners | | | | | |
| Shares issued | 4,924 | - | - | 326 | 5,250 |
| Balance at 31 December 2014 | 2,766,334 | 33,047,446 | 3,386,330 | 1,382,576 | 40,582,686 |
| Balance at 1 January 2015 | 2,766,334 | 33,047,446 | 3,386,330 | 1,382,576 | 40,582,686 |
| Profit after income tax expense for the year | - | 16,236,799 | - | - | 16,236,799 |
| Other comprehensive income | - | - | 2,180,345 | - | 2,180,345 |
| Total comprehensive income for the year | - | 16,236,799 | 2,180,345 | - | 18,417,144 |
| Transactions with owners in their capacity as owners | | | | | |
| Shares issued | 11,875,088 | - | - | - | 11,875,088 |
| Share issue cost | (912,769) | - | - | - | (912,769) |
| Transfer to statutory reserves | - | (1,277,359) | - | 1,277,359 | - |
| Balance at 31 December 2015 | 13,728,653 | 48,006,886 | 5,566,675 | 2,659,935 | 69,962,149 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | Note | 2015 \$ | 2014 \$ |
|---|------|-------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 118,055,410 | 83,080,812 |
| Payments to suppliers and employees | | (97,776,064) | (63,068,134) |
| Government grant received | | 4,712 | - |
| Interest received | | 128,431 | 55,545 |
| Finance costs paid | | (647,869) | (605,634) |
| Income tax paid | | (6,739,115) | (4,925,162) |
| Net cash provided by (used in) operating activities | 28 | 13,025,505 | 14,537,427 |
| Cash flows from investing activities | | | |
| Payment for the purchase of property, plant and equipment | | (45,963) | (115,322) |
| Payment for interest in associate | | - | (10,927,120) |
| Net cash provided by (used in) investing activities | | (45,963) | (11,042,442) |
| Cash flows from financing activities | | | |
| Payment of capital raising costs | | (830,994) | - |
| Cash received from related parties | | - | 1,164,500 |
| Capital contribution by shareholders | | 11,814,988 | 5,250 |
| Repayment of short-term borrowing | | (9,123,742) | (10,169,400) |
| Proceeds from short-term borrowing | | 9,740,646 | 10,213,268 |
| Net cash provided by (used in) financing activities | | 11,600,898 | 1,213,618 |
| Net change in cash and cash equivalents held | | 24,580,440 | 4,708,603 |
| Cash and cash equivalents at beginning of financial year | | 12,635,117 | 5,853,899 |
| Effect of exchange rates on cash holdings in foreign currencies | | 533,194 | 2,072,615 |
| Cash and cash equivalents at end of financial year | 13 | 37,748,751 | 12,635,117 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 Nature of operations

XPD Soccer Gear Group Limited and subsidiaries' (the Group) principal activities include development, manufacturing, marketing and distribution of sportswear with a focus on soccer gear.

The Group operates in two business segments, sportswear under its owned XPD brand and OEM business for overseas brands but in one geographical area, being the People's Republic of China.

There were no significant changes in the nature of the Group's principal activities during the year ended 2015.

2 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). XPD Soccer Gear Group Limited is a for-profit entity for the purpose of preparing the financial statements.

XPD Soccer Gear Group Limited is the Group's Ultimate Parent Company. XPD Soccer Gear Group Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Exchange Tower Level 1, 530 Little Collins Street, Melbourne VIC 3000, Australia.

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 7 March 2016.

3 Changes in accounting policies

3.1 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010–2012 Cycle*:

- clarify that the definition of a ‘related party’ includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011–2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2015. The consolidated entity’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

AASB 9 Financial Instruments (December 2014) (Application date: 1 January 2018)

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity’s preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

3 Changes in accounting policies (cont.)

AASB 15 Revenue from Contracts with Customers (Application date: 1 January 2018)

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

4 Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2015. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combination

XPD Soccer Gear Group Limited, China Soccer Holdings Co., Limited and Jinjiang Chaoda Shoes and Garments Co., Limited were owned and controlled by the same shareholders before and after the business combination, and as the control was not transitory, therefore the business combination represented a common control combination.

Business combination involving entities under common control is scoped out under AASB3 Business Combination. AASB provides no guidance on the accounting for these types of transactions; however requires an entity to develop an accounting policy. The two most common methods utilised are the purchase method and the pooling of interest –type method (predecessor value method).

4 Summary of accounting policies (cont.)

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties, both before and after the business combination, and control is not transitory.

Management has determined the pooling of interest-type method to be the most appropriate. The pooling of interest –type method requires the financial statements to be prepared using the predecessor book value without any step up to fair value. The difference between any consideration given and aggregate book value of the assets and liabilities of the acquired entity are recorded as an adjustment to equity. This may be recorded in retained earnings / reserve and no additional goodwill is created by the transaction. The comparatives have been presented as if the combination had occurred from the date when the combining entities first came under the control of the controlling parties.

All transaction costs incurred in relation to the business combination are expensed to profit and loss.

Consolidated Financial Statement Presentation

The consolidation financial statements (post combination) can be presented using one of two methods. The first method, being the consolidated financial statements can incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Alternatively the consolidated financial statements can incorporate acquired entity's results only from the date on which the transaction occurred.

Management have determined to use option one – reporting comparatives as though the Group had always been combined.

4.3 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian Dollars are translated into Australian Dollars upon

4 Summary of accounting policies (cont.)

consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Australian Dollars at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Australian Dollars at the closing rate. Income and expenses have been translated into Australian Dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

4.4 Segment reporting

The Group has two operating segments: manufacturing of own brand (XPD) and original equipment manufacturer for others' brand (OEM). In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group (see Note 1).

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from sales of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of value added tax (VAT) and goods and services tax (GST).

4 Summary of accounting policies (cont.)

4.6 Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such

time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

4.7 Land use rights

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives.

4.8 Property, plant and equipment

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

| Class of Fixed Asset | Depreciation Rate | Depreciation Basis |
|-------------------------|-------------------|--------------------|
| Office equipment | 20% | Straight line |
| Manufacturing equipment | 10% | Straight line |
| Motor vehicle | 20% | Straight line |
| Buildings | 5% | Straight line |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

4 Summary of accounting policies (cont.)

4.9 Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (benefit).

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

4.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

4 Summary of accounting policies (cont.)

4.11 Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expense (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4.12 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful life or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

4.13 Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

4 Summary of accounting policies (cont.)

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy.

Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined

4 Summary of accounting policies (cont.)

by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

Financial liabilities

The Group's financial liabilities include trade and other payables and short-term borrowings. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of equity investments classified as available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

4 Summary of accounting policies (cont.)

4.14 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4.15 Value Added Tax (VAT) / Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of VAT & GST, except where the amount of VAT & GST incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT & GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT & GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

4.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.17 Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows

4.18 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

4 Summary of accounting policies (cont.)

4.19 Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates — Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

5 Business Combination

Pursuant to a share sale deed dated 16 February 2015 XPD Soccer Gear (“XPD”) issued 349,999,990 ordinary shares to the existing shareholders of China Soccer Holdings Co., Limited and its controlled entities (“China Soccer Group”) as purchase consideration for 100% of the share capital of that entity.

Through this transaction effective control of China Soccer Group passed to the shareholders of XPD. The transaction is one referred to in AASB 3 Business Combinations as a common control transaction, as the nature and substance of this transaction is a group restructure where following the reconstruction XPD took control of China Soccer Group with no change in underlying control.

As XPD was incorporated specifically for the purpose of this transaction and the subsequent equity raising, the fair value of the equity instruments issued has been estimated by reference to the value of historical (China Soccer Group’s) net assets as of 31 December 2014.

The following has been extracted from the audited financial information of China Soccer Group as at 31 December 2014:

The assets and liabilities of China Soccer Group were:

| | |
|----------------------------------|--------------------------|
| | \$ |
| Cash and cash equivalents | 12,635,117 |
| Trade and other receivables | 16,030,378 |
| Inventories | 5,994,092 |
| Prepayments | 567,099 |
| Property, plant and equipment | 7,252,452 |
| Intangible assets | 594,459 |
| Investment in an associate | 14,915,120 |
| Trade and other payables | (3,295,900) |
| Financial liabilities | (12,233,190) |
| Current tax liabilities | (1,876,941) |
| Total net assets acquired | <u>40,582,686</u> |
| Accounted for as: | |
| Issued capital | 2,766,334 |
| Reserves | 4,768,906 |
| Retained earnings | 33,047,446 |
| | <u>40,582,686</u> |

The acquisition has been treated as a common control transaction and therefore the information has been prepared on the basis that the acquisition has occurred prior to the current comparative period.

6 Segment reporting

Management identifies its operating segments based on the Group’s product category and service offerings, which represent the main products and services provided by the Group. The Group’s two (2) main operating segments are:

- Own-brand sales (XPD brand)
- Contract third-party sales (OEM)

The Company operates predominately in one geographical area where sales revenue is generated and non-current assets are located, being the People's Republic of China. Group assets and liabilities are not specifically allocated across operating segments.

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6 Segment reporting (cont.)

During the year to 31 December 2015, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

| For the year ended 31 December 2015 | Own-brand \$ | Contract third-party \$ | Total \$ |
|--|-------------------|-------------------------------|-------------------|
| Revenue from external customers | 100,069,071 | 2,186,724 | 102,255,795 |
| COGS for external sales | (66,465,340) | (1,988,675) | (68,454,015) |
| Segment Result | 33,603,731 | 198,049 | 33,801,780 |
| Finance costs | - | - | (647,868) |
| Depreciation and amortisation | - | - | (191,247) |
| Other expenses | - | - | (10,435,106) |
| Profit/(loss) before income tax | | | 22,527,559 |
| Income tax expense | | | (6,290,760) |
| Profit after income tax | | | 16,236,799 |

| For the year ended 31 December 2014 | Own-brand \$ | Contract third-party \$ | Total \$ |
|--|-------------------|-------------------------------|-------------------|
| Revenue from external customers | 72,431,905 | 2,804,010 | 75,235,915 |
| COGS for external sales | (48,219,001) | (2,161,600) | (50,380,601) |
| Segment Result | 24,212,904 | 642,410 | 24,855,314 |
| Finance costs | - | - | (605,634) |
| Depreciation and amortisation | - | - | (163,201) |
| Other expenses | - | - | (3,669,172) |
| Profit/(loss) before income tax | | | 20,417,307 |
| Income tax expense | | | (5,114,391) |
| Profit after income tax | | | 15,302,916 |

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7 Earnings per share

Both the basic earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the year to 31 December 2015:

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Profit used to calculate basic EPS | 16,236,799 | 15,302,916 |
| Weighted average number of shares used in basic and diluted EPS | <u>227,911,099</u> | <u>227,911,099</u> |

The Company was established on 22 May 2014 with 10 fully paid ordinary shares on issue as at 31 December 2014. Given the nature of the business combination that occurred during the period, the EPS calculation for 31 December 2014 is based on the current period weighted average number of shares for comparison purposes.

8 Revenue

| | 2015 | 2014 |
|---------------------------------|---------------------------|--------------------------|
| | \$ | \$ |
| Operating activities | | |
| Sales of goods | 102,255,795 | 75,235,915 |
| Total Revenue | <u>102,255,795</u> | <u>75,235,915</u> |
| Non-operating activities | | |
| Government grant | 4,712 | - |
| Interest received | 128,431 | 55,546 |
| Other non-operating income | 2,583 | 3,971 |
| Total Other Revenue | <u>135,726</u> | <u>59,517</u> |

9 Expenses

9.1 Sales and marketing expenses

| | 2015 | 2014 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Advertising, promotion, exhibition and sponsorship | 6,143,902 | 2,582,535 |
| Salary expenses | 317,345 | 189,810 |
| Transportation expense | 149,717 | 96,992 |
| Other sales and marketing expenses | 245,537 | 96,087 |
| Total sales and marketing expenses | <u>6,856,501</u> | <u>2,965,424</u> |

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9 Expenses (cont.)

9.2 Administration expenses

| | 2015 \$ | 2014 \$ |
|--------------------------------------|------------------|----------------|
| Employee expenses | 1,335,982 | 417,191 |
| Director fees | 116,200 | - |
| Depreciation and amortisation | 186,941 | 159,488 |
| Office expense | 33,933 | 16,017 |
| Accounting and audit expense | 147,700 | - |
| Entertainment expense | 150,239 | 23,582 |
| Legal and consulting expense | 432,157 | 14,218 |
| ASX expense | 59,317 | - |
| Travel expense | 21,772 | 18,067 |
| Telecommunication expense | 15,440 | 18,098 |
| Stamp duty expense | 50,824 | 32,464 |
| Union membership expense | 59,237 | 35,690 |
| Vehicle expense | 28,369 | 18,712 |
| Donations to school and community | 106,850 | - |
| Other administration expense | 282,440 | 172,939 |
| Total administration expenses | 3,027,401 | 926,466 |

9.3 Depreciation and amortisation expenses

| | 2015 \$ | 2014 \$ |
|---|----------------|----------------|
| Included in: | | |
| Sales and marketing expenses | 4,305 | 3,713 |
| Administration expenses | 186,941 | 159,488 |
| Cost of sales | 454,662 | 374,579 |
| Total depreciation and amortisation expenses | 645,908 | 537,780 |

9.4 Salary and employee expenses

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Included in: | | |
| Sales and marketing expenses | 317,345 | 189,810 |
| Administration expenses | 1,335,982 | 417,191 |
| Cost of sales | 6,545,631 | 4,945,550 |
| Total salary and employee expenses | 8,198,958 | 5,552,551 |

10 Finance Costs

Finance costs for the reporting periods consist of the following:

| | 2015 \$ | 2014 \$ |
|----------------------------|----------------|----------------|
| Interest expense | 640,164 | 576,775 |
| Other expenses | 7,704 | 28,859 |
| Total finance costs | 647,868 | 605,634 |

11 Income Tax Expense

The reported tax expenses in profit or loss are as follows:

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| The components of tax expense comprise: | | |
| Current tax | 6,290,760 | 5,114,391 |
| Total income tax expense | 6,290,760 | 5,114,391 |
| Reconciliation of tax expense | | |
| Profit before income tax | 22,527,559 | 20,417,307 |
| Prima facie tax payable on profit before income tax at 30% (2014: 30%) | 6,758,268 | 6,125,192 |
| Adjustment to income tax expense due to: | | |
| - Differences in taxation rates in foreign subsidiaries | (1,005,052) | (1,010,801) |
| - Foreign losses not recognised | 375,746 | - |
| - Losses in the parent entity not recognised | 161,798 | - |
| Income tax attributable to the Group | 6,290,760 | 5,114,391 |
| The applicable weighted average effective tax rate are as follows: | 28% | 25% |

The Company is subject to the income tax law of Australia and its subsidiaries, China Soccer Holdings Co., Limited and Jinjiang Chaoda Shoes and Garment Co., Limited are subject to the income tax law of Hong Kong (16.5%) and People's Republic of China (PRC) (25%) respectively.

As at 31 December 2015, XPD Soccer Gear Group Ltd (parent entity) had an estimated available tax loss at approximately \$ 1.32 million (2014: nil). Tax losses in the parent entity have not been recognised as it is likely they will not be utilised due to the parent entity's holding nature of operations. Tax losses in subsidiary, China Soccer Holdings Ltd is not presented as they are unlikely to be realised due to the nature of the entity being holding company.

12 Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided by the auditors of the Company, its network firms and unrelated firms:

| | 2015 \$ | 2014 \$ |
|--|----------------|----------------|
| Remuneration of the auditor of the Company | | |
| - auditing or reviewing the financial report | 134,000 | 100,000 |
| Total audit services | 134,000 | 100,000 |
| Non-audit services | | |
| - taxation report | 5,000 | - |
| - Investigating Accountant's Report | 45,000 | - |
| Total non-audit services | 50,000 | - |
| Total auditor's remuneration | 184,000 | 100,000 |

13 Cash and Cash Equivalents

Cash and cash equivalents include the following components:

| | 2015 | 2014 |
|---------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash on hand | 21,028 | 47,932 |
| Cash at bank | 36,298,668 | 9,557,900 |
| Security deposit for notes payable | 1,429,055 | 3,029,285 |
| Total cash and cash equivalent | 37,748,751 | 12,635,117 |

14 Trade and Other Receivables

Trade and other receivables consist of the following:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Trade receivables ^(a) | 18,442,253 | 15,964,250 |
| Other receivables | 115,177 | 66,128 |
| Total trade and other receivables | 18,557,430 | 16,030,378 |

^(a) Within trade receivable is an amount receivable from Jinjiang XPD Import and Export Ltd amounting to \$1.03 million (2014: \$1.0 million) (Refer: Note 29).

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balances, nor does it hold any restrictions of title.

The average credit period on sales of goods is 90 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

The age of trade receivables past due but not impaired is as follows:

| | 2015 | 2014 |
|----------------|---------------|---------------|
| | \$ | \$ |
| 90 – 180 days | 11,241 | 39,759 |
| 181 – 365 days | - | - |
| Total | 11,241 | 39,759 |

The Group expects to recover amounts outside credit terms in full.

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15 Inventories

| | 2015 \$ | 2014 \$ |
|----------------------|------------------|------------------|
| Raw materials | 2,569,048 | 1,574,742 |
| Finished goods | 1,595,324 | 1,044,454 |
| Work in progress | 3,985,899 | 3,374,896 |
| Net inventory | 8,150,271 | 5,994,092 |

Inventory has been determined to be valued at the lower of cost and net realisable value at reporting date. There has been no provision for obsolete stock raised in the current financial period.

16 Prepayments

| | 2015 \$ | 2014 \$ |
|--------------------------|------------|----------------|
| Prepayments | - | 567,099 |
| Total prepayments | - | 567,099 |

Prepayments represented advances/security deposits to suppliers for inventory purchases.

17 Property, plant and equipment

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Machinery and Office Equipment | | |
| At cost | 1,958,125 | 1,849,598 |
| Accumulated depreciation | (1,004,294) | (762,236) |
| Total Machinery and Office Equipment | 953,831 | 1,087,362 |
| Buildings | | |
| At cost | 8,752,206 | 8,267,124 |
| Accumulated depreciation | (2,666,747) | (2,126,257) |
| Total Buildings | 6,085,459 | 6,140,867 |
| Motor Vehicles | | |
| At cost | 59,648 | 56,342 |
| Accumulated depreciation | (44,134) | (32,119) |
| Total Motor Vehicles | 15,514 | 24,223 |
| Accounting Software | | |
| At cost | 5,910 | 5,583 |
| Accumulated depreciation | (5,889) | (4,466) |
| Total Accounting Software | 21 | 1,117 |
| Total property, plant and equipment | 7,054,825 | 7,253,569 |

The Manufacturing building was pledged as security for short-term borrowings (refer Note 21).

17 Property, plant and equipment (cont.)

Movement in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Machinery and Office Equipment | Buildings | Motor Vehicles | Accounting Software | Total |
|------------------------------------|--------------------------------------|------------------|-------------------|------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 31 December 2013 | 1,052,276 | 6,038,788 | 32,283 | 2,064 | 7,125,411 |
| Additions | 115,322 | - | - | - | 115,322 |
| Disposals | (1,921) | - | - | - | (1,921) |
| Depreciation expense | (159,709) | (355,665) | (9,696) | (1,011) | (526,081) |
| Net exchange differences | 81,394 | 457,744 | 1,636 | 64 | 540,838 |
| Balance at 31 December 2014 | 1,087,362 | 6,140,867 | 24,223 | 1,117 | 7,253,569 |
| Depreciation expense | (199,763) | (420,850) | (10,255) | (1,197) | (632,065) |
| Net exchange differences | 66,232 | 365,442 | 1,546 | 101 | 433,321 |
| Balance at 31 December 2015 | 953,831 | 6,085,459 | 15,514 | 21 | 7,054,825 |

18 Land use rights

| | 2015 \$ | 2014 \$ |
|------------------------------|----------------|----------------|
| At Cost | 729,131 | 645,832 |
| Accumulated Amortisation | (69,265) | (52,490) |
| Total Land Use Rights | 659,866 | 593,342 |

Movements in Carrying Amounts

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

| | Land use rights \$ | Total \$ |
|------------------------------------|-----------------------|----------------|
| Balance at 31 December 2013 | 560,349 | 560,349 |
| Amortisation expense | (11,699) | (11,699) |
| Net exchange differences | 44,692 | 44,692 |
| Balance at 31 December 2014 | 593,342 | 593,342 |
| Additions | 45,963 | 45,963 |
| Amortisation expense | (13,843) | (13,843) |
| Net exchange differences | 34,404 | 34,404 |
| Balance at 31 December 2015 | 659,866 | 659,866 |

18 Land use rights (cont.)

Land use rights relate to the following:

| Location | Use of property | Land area (sq.metres) | Tenure |
|--|------------------|-----------------------|-------------------------------------|
| Land Registration – Jin (2011) Serial Number (00673) Jinjiang City Chenli Town Huzhong Village | Industrial Plant | 6,478 | 44 years (valid until 19 July 2060) |

Land use rights was pledged as security for short-term borrowings (refer Note 21).

19 Investment in associate

The investment represents a 26% share interest in Henan Yuanlong Industrial Co., Ltd (“HYI”) which is located in Henan Province, China. HYI is a PRC company specifically incorporated to develop a commercial manufacturing site of which XPD will be a tenant. During the year ended 31 December 2015 HYI was in the process of constructing the properties. On the basis of the interest in Henan Yuanlong Limited held by the Company, the investee was assessed to not be controlled by the Company yet elements of a significant influence are present. As a result the investment is recognised as an associate and equity accounting of the Company’s share of profit and loss will be accounted for once the investee commences operations.

There is no profit or loss item recognised by the associate during the period given the site is still under construction and all the costs incurred are capitalised as assets.

| | 2015 \$ | 2014 \$ |
|---------------------------|-------------------|-------------------|
| Opening balance | 14,915,120 | 3,686,000 |
| Capital contributions | - | 9,896,880 |
| Net exchange differences | 875,160 | 1,332,240 |
| Net carrying value | 15,790,280 | 14,915,120 |

The following financial information reflects the amounts presented in the financial statements of the associate:

| | 2015 \$ | 2014 \$ |
|-------------------------------|-------------------|-------------------|
| Total current assets | 1,710,221 | 3,731,075 |
| Total non-current assets | 59,021,625 | 53,634,772 |
| Total assets | 60,731,846 | 57,365,847 |
| Total liabilities | - | - |
| Total non-current liabilities | - | - |
| Total liabilities | - | - |
| Net assets | 60,731,846 | 57,365,847 |
| Group's share of net assets | 15,790,280 | 14,915,120 |

19 Investment in associate (cont.)

There is no profit or loss recognised by the associate during the period given the manufacturing site is still under construction. All construction costs incurred are capitalised as non-current assets.

The associate has no commitments for expenditure or contingent liabilities as at 31 December 2015 (2014: \$887,330).

20 Trade and Other Payables

| | 2015 \$ | 2014 \$ |
|---------------------------------------|------------------|------------------|
| Current | | |
| Trade payables | 2,100,969 | 1,712,048 |
| Other tax payable | 1,113,745 | 901,053 |
| Salary payable | 959,885 | 492,442 |
| Other payables ^(a) | 814,290 | 190,357 |
| Total trade and other payables | 4,988,889 | 3,295,900 |

^(a) Within other payables is an amount payable to Mr. Zhang Jiameng (Director) amounting to \$841,701 (2014: nil) (Refer: Note 29).

21 Financial Liabilities

The financial liabilities of the Group include the following:

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| Current | | |
| Notes payable ⁽¹⁾ | 3,208,719 | 5,010,922 |
| Short term borrowings ⁽²⁾ | 7,840,746 | 7,222,268 |
| Total current financial liabilities | 11,049,465 | 12,233,190 |
| Non-Current | | |
| Long term borrowing | 422,200 | - |
| Total non-current financial liabilities | 422,200 | - |

⁽¹⁾ Notes payable mature from January 2016 to May 2016 (2014: from January 2015 to June 2015). The notes payable are guaranteed by interest bearing short-term bank deposit of \$1,429,055 (2014: \$3,029,285) (Refer: Note 13).

⁽²⁾ Interest rates for short term borrowings are between 6.09% to 7.80% per annum for the current financial year (2014: 6.06% to 8.75% per annum). The current year weighted average interest rate for the loan balance is 7.66% per annum (2014: 8.84% per annum). The borrowings are secured by the land use rights and buildings belonging to the Group (Refer: Note 17 and Note 18).

22 Taxation

| | 2015 \$ | 2014 \$ |
|---------------------------------|------------------|------------------|
| Income tax payable | 1,538,720 | 1,876,941 |
| Total income tax payable | 1,538,720 | 1,876,941 |

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23 Issued Capital

| | 2015 No. of shares | 2014 No. of shares | 2015 \$ | 2014 \$ |
|--|--------------------------|--------------------------|-------------------|------------|
| <u>Fully paid ordinary shares</u> ⁽¹⁾ | | | | |
| Balance at beginning of the period/incorporation ⁽²⁾ | 10 | 10 | 10 | 10 |
| Acquisition of China Soccer Group ⁽²⁾ | 349,999,990 | - | 7,966,312 | - |
| IPO share issue, net of related issuance expenses ⁽³⁾ | 33,075,500 | - | 5,702,331 | - |
| Share-based payment ⁽⁴⁾ | 333,333 | - | 60,000 | |
| End of the year | 383,408,833 | 10 | 13,728,653 | 10 |

- 1) Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.
- 2) XPD Soccer Gear Group Limited was incorporated on 22 May 2014 with 10 ordinary shares. Pursuant to a Share Sale Deed dated 16 February 2015 the Company has issued additional 349,999,990 ordinary shares to the existing shareholders of China Soccer Group as purchase consideration for 100% of the share capital of China Soccer Group.
- 3) The issue of 33,075,500 ordinary shares at an issue price of \$0.20 per share pursuant to a public offer at ASX together with related issuance expenses of \$912,769.
- 4) Issuance of 333,333 ordinary shares to Mr. Rob Harrison for his services for XPD Soccer Gear Group Ltd.

24 Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

| | 2015 \$ | 2014 \$ |
|--|--------------|--------------|
| Total liabilities | 17,999,274 | 17,406,031 |
| Less: cash and cash equivalents | (37,748,751) | (12,635,117) |
| Net liabilities/(Net cash and cash equivalents) | (19,749,477) | 4,770,914 |
| Total equity | 69,962,149 | 40,582,686 |
| Net liabilities/(Net cash and cash equivalent) to equity ratio | (28%) | 12% |

25 Reserves

| | 2015 | 2014 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| Statutory reserve | 2,659,935 | 1,382,576 |
| Foreign translation reserve | 5,566,675 | 3,386,330 |
| Total reserves | 8,226,610 | 4,768,906 |

Statutory reserve

Pursuant to the current People's Republic of China Company Law, Chaoda is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from translation of the subsidiaries' functional currency (Chinese Renminbi and Hong Kong Dollars) into presentational currency of the Group (Australian Dollars).

26 Commitments

Capital Commitments

No capital commitments existed as at 31 December 2015 (2014: nil).

Operating Commitments

No operating commitments existed as at 31 December 2015 (2014: nil).

27 Events After the Balance Sheet Date

On 3 March 2016, the Directors declared a final unfranked dividend of \$0.01 per share. The record date is 13 May 2016 and the payment date is 30 May 2016.

Other than the above, after the reporting date, no matters or circumstances has arisen that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

28 Cash Flow Information

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| Operating Profit/(Loss) after income tax | 16,236,799 | 15,302,916 |
| Non-cash flows in operating surplus/(deficit) | | |
| Depreciation/Amortisation | 645,908 | 537,780 |
| Write-off of property, plant and equipment | - | 46,078 |
| Share based payment | 60,000 | - |
| Changes in assets and liabilities | | |
| (Increase)/Decrease in trade receivables | (1,586,453) | (2,550,206) |
| (Increase)/Decrease in prepayments | 600,374 | 716,455 |
| (Increase)/Decrease in inventory | (1,804,469) | 475,398 |
| (Increase)/Decrease in trade payables and accruals | 1,417,923 | 266,626 |
| Increase/(Decrease) in notes payable | (2,096,223) | 1,952,126 |
| Increase/(Decrease) in income tax payable | (448,354) | 189,229 |
| Increase/(Decrease) in revenue received in advance | - | (2,398,975) |
| Cash flows from operations | 13,025,505 | 14,537,427 |

29 Related party transactions

29.1 Details of Key Management Personnel during the financial period are as follows:

Directors:

- Shui-Chiao Chang (Independent Non-executive Chairman)
- Andrew Smith (Deputy Chairman)
- Jiameng Zhang (Managing Director and CEO)
- Jiashun Zhang (Executive Director and COO)
- Andrew Plympton (Independent Non-executive Director)
- Benjamin Meikle (Independent Non-executive Director)

Key Management Personnel:

- Renfeng Xiu (CFO)
- Ting Jiang (Company Secretary)

29 Related party transactions (cont.)

29.2 Aggregate compensation made to Key Management Personnel

| | 2015 \$ | 2014 \$ |
|---|----------------|---------------|
| Short-term employee benefits | 308,760 | 81,539 |
| Post-employment benefits | - | - |
| Long-term employee benefits | - | - |
| Share-based payments | - | - |
| Total compensation to Key Management Personnel | 308,760 | 81,539 |

Further details of the remuneration of key management personnel is disclosed in the Remuneration Report contained in the Director's Report.

29.3 Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest:

| | 2015 \$ | 2014 \$ |
|--|--------------------|--------------------|
| Jinjiang XPD Import and Export Ltd | | |
| Sales made to the related party | 2,672,260 | 3,730,933 |
| Payment received from the related party | (2,703,095) | (5,781,567) |
| Cash advanced to the related party | - | 5,148,022 |
| | 2015 \$ | 2014 \$ |
| Shaohua Zhang^(a) | | |
| Cash advanced to the related party | 1,806,192 | 1,032,490 |
| Payment received from the related party | (1,806,192) | (1,242,799) |
| | 2015 \$ | 2014 \$ |
| Henan Yuanlong Industrial Co., Ltd | | |
| Cash advanced to the related party | - | 9,896,880 |
| | 2015 \$ | 2014 \$ |
| Jiameng Zhang (Director) | | |
| Purchases made on behalf of Company by the related party – IPO costs | 1,624,301 | - |
| Repayment to the related party | (782,600) | - |

^(a) Shaohua Zhang is a relative of Mr. Zhang Jiameng (Managing Director).

29 Related party transactions (cont.)

29.4 Related party balances

Amounts receivable from and payable to key management personnel and their related entities at balance date arising are as follows:

| 2015 | Receivable from related party | Investment in related party | Payable to related party |
|------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Jinjiang XPD Import and Export Ltd | 1,026,140 | - | - |
| Henan Yuanlong Industrial Co., Ltd | - | 15,790,280 | - |
| Zhang Jiameng (Director) | - | - | 841,701 |
| | 1,026,140 | 15,790,280 | 841,701 |

| 2014 | Receivable from related party | Investment in related party | Payable to related party |
|------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Jinjiang XPD Import and Export Ltd | 998,039 | - | - |
| Henan Yuanlong Industrial Co., Ltd | - | 14,915,120 | - |
| | 998,039 | 14,915,120 | - |

Related party balances comprise trade receivables and payables which have arisen from the normal course of business and related party loans. Amounts payable to Mr Jiameng Zhang relate to IPO expenses incurred on behalf of the company that are due for reimbursement. Investment in related party relates to investment in associate (refer Note 19). No specific terms and conditions have been attached to the above transactions.

30 Financial Instrument Risk Management

Risk management objectives and policies

The Group is exposed to a variety of financial risks through its use of financial instruments.

Financial instruments used

The principal categories of financial instrument used by the Group:

- Trade receivables
- Cash at bank
- Trade and other payables
- Short-term borrowings
- Notes payable

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

30 Financial Instrument Risk Management (cont.)

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

Interest rate risk sensitivity

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's borrowings are within 1 year, and hence are subject to minimal fair value changes.

Customer concentration risk

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2015 generated 52% (\$53,322,808) (2014: 54% \$40,516,553) of the Group's revenues during the financial period.

Price risk

The Group's financial instruments are not exposed to price risk.

30 Financial Instrument Risk Management (cont.)

Financial instrument composition and maturity analysis

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Financial instrument composition and maturity analysis

| | Weighted Average Effective Interest Rate | | Interest Bearing Maturing within 1 Year | | Interest Bearing Maturing within 2 Years | | Non-interest Bearing Maturing within 1 Year | | Total | |
|--|--|-----------|---|-------------------|--|------------|---|-------------------|-------------------|-------------------|
| | 2015 % | 2014 % | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ |
| Financial Assets: | | | | | | | | | | |
| - Cash and cash equivalents (Variable interest rate) | 0.30% | 0.35% | 37,727,723 | 12,587,185 | - | - | 21,028 | 47,932 | 37,748,751 | 12,635,117 |
| - Trade and other receivables | - | - | - | - | - | - | 18,557,430 | 16,030,378 | 18,557,430 | 16,030,378 |
| - Security deposits to suppliers | - | - | - | - | - | - | - | 567,099 | - | 567,099 |
| Total Financial Assets | | | 37,727,723 | 12,587,185 | - | - | 18,578,458 | 16,645,409 | 56,306,181 | 29,232,594 |
| Financial Liabilities: | | | | | | | | | | |
| - Trade and other payables | - | - | - | - | - | - | 4,988,889 | 3,295,900 | 4,988,889 | 3,295,900 |
| - Short-term borrowing | 7.66% | 8.84% | 7,840,746 | 7,222,268 | - | - | - | - | 7,840,746 | 7,222,268 |
| - Notes payable | - | - | - | - | - | - | 3,208,719 | 5,010,922 | 3,208,719 | 5,010,922 |
| - Long-term borrowings | 8.50% | - | - | - | 422,200 | - | - | - | 422,200 | - |
| Total Financial Liabilities | | | 7,840,746 | 7,222,268 | 422,200 | - | 8,197,608 | 8,306,822 | 16,460,554 | 15,529,090 |
| Net Financial Assets | | | | | | | | | 39,845,627 | 13,703,504 |

Credit risk analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

30 Financial Instrument Risk Management (cont.)

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Classes of financial assets - Carrying amounts: | | |
| Cash and cash equivalents | 37,748,751 | 12,635,117 |
| Cash advanced to suppliers | - | 567,099 |
| Trade and other receivables | 18,557,430 | 16,030,378 |
| Total | 56,306,181 | 29,232,594 |

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Liquidity risk arises from the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

Remaining contractual maturities

The following table details the Group's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | Weighted Average Effective Interest Rate | | Maturing within 1 Year | | Maturing within 2 Years | | Maturing within 5 Years | | Total remaining contractual maturities | |
|-----------------------------------|--|--------|------------------------|------------------|-------------------------|---------|-------------------------|---------|--|-------------------|
| | 2015 % | 2014 % | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ |
| Non-interest bearing: | | | | | | | | | | |
| - Trade payables | - | - | 2,100,969 | 1,712,048 | - | - | - | - | 2,100,969 | 1,712,048 |
| - Other payables | - | - | 2,887,920 | 1,583,852 | - | - | - | - | 2,887,920 | 1,583,852 |
| - Notes payable | - | - | 3,208,719 | 5,010,922 | - | - | - | - | 3,208,719 | 5,010,922 |
| Total non-interest bearing | | | 8,197,608 | 8,306,822 | - | - | - | - | 8,197,608 | 8,306,822 |
| Interest bearing | | | | | | | | | | |
| - Short-term borrowing | 7.66% | 8.84% | 7,840,746 | 7,222,268 | - | - | - | - | 7,840,746 | 7,222,268 |
| - Long-term borrowings | 8.50% | - | - | - | 422,200 | - | - | - | 422,200 | - |
| Total interest bearing | | | 7,840,746 | 7,222,268 | 422,200 | - | - | - | 8,262,946 | 7,222,268 |
| Total | | | | | | | | | 16,460,554 | 15,529,090 |

31 Controlled Entities

Details of subsidiaries controlled by the Company as at 31 December 2015 are as follows:

| | Country of Incorporation | Percentage Owned (%) ⁽¹⁾ | |
|---|----------------------------|-------------------------------------|-----------|
| | | 2015 % | 2014 % |
| XPD Soccer Gear Group Limited⁽³⁾ | Australia | | |
| Subsidiaries of XPD Soccer Gear Group Limited: | | | |
| - China Soccer Holdings Co., Limited ⁽²⁾ | Hong Kong | 100 | -(3) |
| - Jinjiang Chaoda Shoes and Garment Co., Ltd | People's Republic of China | 100 | -(3) |

⁽¹⁾ Percentage of voting power is in proportion to ownership;

⁽²⁾ China Soccer Holdings Co., Limited is the intermediate parent entity of Jinjiang Chaoda Shoes and Garment Co., Ltd.

⁽³⁾ XPD Soccer Gear Group Limited was incorporated on 22 May 2014 with 10 ordinary shares. Pursuant to a Share Sale Deed dated 16 February 2015 the Company issued additional 349,999,990 ordinary shares to the existing shareholders of China Soccer Group as purchase consideration for 100% of the share capital of China Soccer Group.

32 Cross guarantee

There is no deed of cross guarantee as at 31 December 2015 or 31 December 2014.

33 Non-controlling interest

No subsidiaries have a non-controlling interest.

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34 Parent Information

| Statement of Financial Position | \$ 2015 | \$ 2014 |
|---|-------------------|------------|
| Assets | | |
| Current assets | 6,163,695 | 10 |
| Non-current assets | 40,582,686 | - |
| Total assets | 46,746,381 | 10 |
| Liabilities | | |
| Current liabilities | 1,723,301 | - |
| Non-current liabilities | - | - |
| Total liabilities | 1,723,301 | - |
| Net assets | 45,023,080 | 10 |
| Equity | | |
| Issued capital | 46,338,340 | 10 |
| Retained earnings | (1,315,260) | - |
| Total equity | 45,023,080 | 10 |
| | \$ 2015 | \$ 2014 |
| Statement of Profit or Loss and Other Comprehensive Income | | |
| Total profit (loss) | (1,315,260) | - |
| Total comprehensive income | (1,315,260) | - |

XPD Soccer Gear Group Limited (Parent Entity) was incorporated on 22 May 2014.

The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

The parent entity had no commitments as at 31 December 2015 and 31 December 2014.

35 Company Details

The registered office of the Company is:

XPD Soccer Gear Group Limited
 Exchange Tower' Level 1
 530 Little Collins Street
 Melbourne, VIC 3000
 Australia

The principle place of business of the Company is:

Jinjiang Chaoda Shoes and Garment Co., Ltd
 Huzhong Industrial Zone,
 Chendai Town, Jinjiang City,
 Fujian Province, China

Director's declaration

- 1 In the opinion of the Directors of XPD Soccer Gear Group Limited:
 - a The consolidated financial statements and notes of XPD Soccer Gear Group Limited are in accordance with the *Corporations Act 2001*, including
 - a Giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and
 - b Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - b There are reasonable grounds to believe that XPD Soccer Gear Group Limited will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2015.
- 3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Non-Executive Deputy Chairman and Director
Andrew Smith

Dated this 7th day of March 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XPD SOCCER GEAR GROUP LIMITED**

Report on the financial report

We have audited the accompanying financial report of XPD Soccer Gear Group Limited (the "Company"), which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- c the financial report of XPD Soccer Gear Group Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2015 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- d the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of XPD Soccer Gear Group Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 7 March 2016

ASX Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

| Shareholder | Number |
|-------------------------------|--------------|
| CHOU QIN INTERNATIONAL CO LTD | 234,804,834* |
| CITICORP NOMINEES PTY LIMITED | 51,011,574 |

* 60% interest in Chou Qin International is held by Managing Director, Jiameng Zhang and the remaining 40% is held by Non-executive Chairman, Shui-Chiao Chang.

Voting rights - Ordinary shares

The holders of Ordinary Shares are entitled to one vote per share at general meeting of the Company.

Distribution of equity security holders

| Category | Number of equity security holders | Total Units | % of issued capital |
|------------------------|-----------------------------------|--------------------|---------------------|
| 1-1,000 | 5 | 112 | 0.000 |
| 1,001-5,000 | 21 | 88,542 | 0.023 |
| 5,001-10,000 | 86 | 821,523 | 0.214 |
| 10,001-100,000 | 223 | 10,185,601 | 2.657 |
| 100,001-99,999,999,999 | 70 | 372,313,055 | 97.106 |
| Totals | 405 | 383,408,833 | 100.000 |

Securities Exchange

The Company is listed on the Australian Securities Exchange, The Home exchange is Sydney.

Other information

XPD Soccer Gear Group Limited, incorporated and domiciled in Australia, is a publicly listed company (ASX:XPD) limited by shares.

Twenty largest shareholders

The names of the twenty largest holders of quoted equity securities are listed below

| Name | Number of ordinary shares held | Percentage of capital held |
|--|---------------------------------------|-----------------------------------|
| CHOU QIN INTERNATIONAL CO LTD | 234,804,834 | 61.241 |
| CITICORP NOMINEES PTY LIMITED | 51,011,574 | 13.305 |
| MENGSHUDA GROUP CO LTD | 15,321,477 | 3.996 |
| WANJIA GLOBAL LIMITED | 11,408,101 | 2.975 |
| XIANGFENG INTERNATIONAL | 10,934,621 | 2.852 |
| SURPLUS FOUNTAIN INVESTMENTS LIMITED | 10,500,000 | 2.739 |
| MS MENG MENG DONG | 6,992,500 | 1.824 |
| BRIDGE GLOBAL SECURITIES P/L | 5,700,000 | 1.487 |
| ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 3,647,001 | 0.951 |
| PERRYVILLE INVESTMENTS PTY LTD <THE SHEPHERD SUPER FUND A/C> | 1,900,000 | 0.496 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <CW A/C> | 1,840,000 | 0.480 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <ST A/C> | 1,460,000 | 0.381 |
| DOUGLAS FINANCIAL CONSULTANTS PTY LTD | 1,150,000 | 0.300 |
| BFA SUPER PTY LTD <GDN SUPER FUND A/C> | 1,003,415 | 0.262 |
| GOLDEN LAND TASMANIA PTY LTD | 1,000,000 | 0.261 |
| EYEON NO 2 PTY LTD | 660,000 | 0.172 |
| MR ANGUS DOUGLAS | 600,000 | 0.156 |
| PETER N HENDERSON PTY LTD <SUPER FUND A/C> | 600,000 | 0.156 |
| BT PORTFOLIO SERVICES LIMITED <MR WILSON WHITEHOUSE A/C> | 500,000 | 0.130 |
| ROAD RUNNER SYSTEMS PTY LTD <TIBETOPO S/F A/C> | 450,000 | 0.117 |
| | | |
| Total | 361,483,523 | 94.281 |
| Grand total | 383,408,833 | 100 |

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