XPD Soccer Gear Group Limited Annual Report

ABN 96 169 695 283

For the year ended 31 December 2018

Contents

Corporate Information

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

Directors
Mr Jiameng Zhang, Managing Director and Chief Executive Officer *(Appointed 6 November 2014)*
Mr Simon Lill, Independent Non-Executive Director and Chairman *(Appointed 29 March 2018)*
Mr Neil Sheather, Independent Non-Executive Director and Joint Company Secretary *(Appointed 29 March 2018)*
Ms Peiya Zhuang, Executive Director *(Appointed 29 June 2016 and resigned 4 July 2018)*
Mr Tony Zhen Lu, Independent Non-Executive Director and Company Secretary *(Appointed 27 October 2017 resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018)*
Mr Wayne Reid, Independent Non-Executive Director and Chairman *(Appointed 21 November 2017 and resigned 14 February 2018)*

Company Secretary
Mr Neil Sheather, Independent Non-Executive Director and Joint Company Secretary *(Appointed 29 March 2018)*
Ms Lifang Zhang, Joint Company Secretary *(Appointed 29 March 2018)*

Company Solicitors
Steinepreis Paganin, Company's Solicitors *(Appointed 29 March 2018)*

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 3, 170 Frome Street
Adelaide SA 5000

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.

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 2018.

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:

- 70,032,153

Interest in options:

- None

Mr Simon Lill
Independent Non-Executive Director and Chairman (Appointed 29 March 2018)

Simon Lill has over 25 years' experience in stockbroking, capital raising, management, business development and analysis for a range of small and start-up companies, both in the manufacturing and resources industries. He has specialised in recent times in company restructuring activities.

Other current listed company Directorships:
- De Grey Mining Limited (ASX: DEG)
- Mejority Capital Limited (ASX: MJC)
- Purifloh Limited (ASX: PO3)

Previous listed company Directorships (last 3 years):
- None

Interests in shares:
- 500,000

Interest in options:
- None

Mr Neil Sheather
Independent Non-Executive Director and Joint Company Secretary (Appointed 29 March 2018)

Mr Sheather is an experienced financial service professional with a career spanning over two decades in the equity capital markets. He has held senior executive and board positions in several ASX participants and has vast experience in the Asian equities markets, most recently as the director and responsible officer for Hong Kong market participant, Mejority Securities Limited.

Mr Sheather is currently the CEO and a director of ASX listed financial services firm, Mejority Capital Limited.

He currently holds a Master of Business Administration and several financial markets related post graduate qualifications.

Other current listed company Directorships:
- Mejority Capital Limited (ASX: MJC)
- Siburan Resources Limited (ASX: SBU)

Previous listed company Directorships (last 3 years):
- None

Interests in shares:
- 35,000

Interest in options:
- None

Ms Peiya Zhuang
Executive Director (Appointed 29 June 2016 and resigned 4 July 2018)

Ms Zhuang is the chief sales officer at XPD and is responsible for sales, marketing and managing distributors. Ms Zhuang has over 10 years of experience in marketing and sales in the sportswear sector in China. Ms Zhuang joined XPD in 2005 and holds a diploma of Footwear Design from Quanzhou Huaguang College.

Other current listed company Directorships:
- None

Previous listed company Directorships (last 3 years):
- None

Interests in shares:
- None

Interest in options:
- None

Mr Tony Zhen Lu
Independent Non-Executive Director and Company Secretary (Appointed 27 October 2017, resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018)

Mr Lu graduated from Central Queensland University with a Master's degree and is currently managing several funds and trading companies in China. Mr Lu has over 15 years' experience in foreign currency, futures, financial investment and equity investment. Mr Lu is also the Chairman of Australia Public Companies Association and Vice Presidents for a range of associations in China and Australia, such as the Liaoning Federation of Returned Overseas Chinese and Global Cantonese Association of Australia.

Other current listed company Directorships:
- None

Previous listed company Directorships (last 3 years):
- Sunbridge Group Limited (ASX: SBB)

Interests in shares:
- None

Interest in options:
- None

Mr Wayne V Reid O.B.E.
Independent Non-Executive Director and Chairman (Appointed 21 November 2017 and resigned 14 February 2018)

Mr Reid has served on a government advisory board, was President of Tennis Australia and the Melbourne Football Club and is a Member of Australian Sporting Hall of Fame. He has been a Director on over 30 company boards of various companies across several continents in diverse and wide ranging industries, including insurance, pharmaceutical, rental, mining, stock-broking, construction, property development and hospitality.

Other current listed company Directorships:
- None

Previous listed company Directorships (last 3 years):
- Sunbridge Group Limited (ASX: SBB)
- Victor Group Holding Limited (ASX: VIG)
- Premiere Eastern Energy Limited (ASX: PEZ)

Interests in shares:
- None

Interest in options:
- None

Joint Company secretary

Mr Neil Sheather, Independent Non-Executive Director and Joint Company Secretary (Appointed 29 March 2018)

Mr Neil Sheather was appointed as Joint Company Secretary with Ms Lifang Zhang on 29 March 2018.

Ms Lifang Zhang, Joint Company Secretary (Appointed 29 March 2018)

Ms Lifang Zhang who has over 20 years of work experience in the mining industry, primarily in Australia, China and Kyrgyzstan in an environmental management capacity at both the site and corporate level was appointed as Company Secretary on 29 March 2018. She is the co-founder and Director of MayRing Advisory Pty Ltd and has been working as a corporate advisor/consultant for transactions of mining assets involving Chinese parties since 2015. Lifang has a Master's degree in Environmental Science from Murdoch University and Graduate Certificate in Mining Finance from Kaplan Professional.

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 boots 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

The Financial Year ending 31 December 2018 has continued to be challenging for the XPD Group. It is noted that profitability has improved from the 2017 results in an increasingly competitive trading environment.

Key highlights:

- Sales revenue for FY2018 decreased by 22.4% to $89.5 million when compared to FY2017. Gross profit margins were down but still a healthy 25.4%.

- Net profit after income tax increased by 14.5% to $9.7 million for FY2018 compared to FY2017 ($8.5M).

Market Commentary

XPD continues to view its branding position as targeting the 3rd and 4th tier cities (regional and county level cities) as opposed to 1st and 2nd tier cities where competition is more intense and consumers tends to buy top international or domestic brands. Overall economic growth is high in these 3rd and 4th tier cities as they experience moves towards becoming a more modern society; however consequently XPD is now also experiencing additional competition in these markets.

Within these cities XPD has a number of retail stores and resellers actively marketing and selling the XPD brand.

The XPD brand remains significant to the ongoing marketing and sales efforts. XPD has focussed on marketing soccer related products since 2005, although the Company does produce some other sports products. XPD continues to invest towards marketing and promotion, using traditional media including commercial TV, outdoor advertising, newspapers and magazines, as well as social media to advance branding growth. The company continues to invest in school based media, internet, mobile apps, and other emerging new media marketing mechanisms, depending on the needs of branding development. XPD's strategy continues to target the younger generation through regular school promotional activities and support of junior soccer clubs.

China's e-commerce market is the fastest growing and the largest trading volume market in the world. The company sells and promotes its products and brands through an e-commerce platform without locality or time restrictions. The company has online stores on the popular third party e-commerce platforms such as Tmall, JD and Paixie. However the e-commerce sector has also been the main battleground for competition with new brands being sold online at low prices. Tier 1 and Tier 2 international brands, as well as Tier 1 domestic brands have strengthened their online sales aggressively. This has had a negative impact on the company's online sales with a noticeable reduction to the company's e-commerce sales. XPD is currently working with new e-commerce platforms to aid its sales into the future.

Soccer, as it has throughout the world, has become foremost in China's national sports psyche. However their sports strategy is not purely focussed on soccer as it includes participation in promotion of sports for many purposes. This will in turn drive the development of the relevant consumer markets. The sales of sports related products continue to be estimated to be RMB5 trillion by 2025 in China.

It is expected that consumers will focus more on functionality of sports shoes and clothing as part of this growth, with the aging population relevant to this planning.

Corporate

During the year the Company had an overhaul of its Board, with the new Board members assisting the Company, to the betterment of all shareholders, to be re-instated to trading on the ASX through tidying up outstanding reporting matters and clearing up creditors.

The new Board members are very aware of the Company's cash balance and the ongoing profitability of the Group. This demands the payment of a dividend, but at the point of signing off these accounts we have not yet been able to achieve that outcome. The new Board Members are aware that it is extremely frustrating for shareholders. Those frustrations are shared as the new members are invested for these same reasons.

We continue to consider all opportunities to unlock the value in the company and to provide a suitable outcome for all shareholders.

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	
	A	**B**
Jiameng Zhang (Appointed 6 November 2014)	8	8
Simon Lill (Appointed 29 March 2018)	8	8
Neil Sheather (Appointed 29 March 2018)	8	8
Peiya Zhuang (Appointed 29 June 2016 and resigned 4 July 2018))	5	-
Tony Zhen Lu (Appointed 27 October 2017 and resigned 4 July 2018)	5	-
Wayne Reid (Appointed 21 November 2017 and resigned 29 March 2018)	-	-

Where:

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

No separate audit and risk committee and nomination and remuneration committee meetings were held. Issues relating to audit and risk committee and nomination and remuneration committee were discussed at the board meetings.

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;
E. Other information;
F. Interest in options; and
G. Interest in shares

A Principles used to determine the nature and amount of remuneration

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group and the Company's CEO, Mr Jiameng Zhang, is responsible for determining and reviewing compensation arrangements for the Executive Team in China.

The compensation arrangements are put to the Board for their approval.

The Company 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 Company's CEO assesses the appropriateness of the nature and amount of remuneration of the Chinese staff 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 Executive and Sales Team.

The Board receives his recommendation for approval with all other compensation issues dealt with at Board level.

Annual bonus
XPD Soccer Gear Group Limited pays out cash bonuses annually at the executive 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 paid at the executive directors' discretion.

Use of Remuneration Consultants

No Remuneration consultant has been engaged by the Company during the year (2017: none).

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

XPD received more than 81% of "yes" votes on its remuneration report for the 2017 financial report. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration or nomination process.

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	2018	2017
EPS (cents)	2.24	1.96
Dividends (cents per share)	-	-
Net profit ($)	9,743,535	8,507,841
Share price ($)[(a)]	0.025	0.033

(a) Share price as at close of trade 31 December.

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 ($)	Performance based percentage of remuneration
		Cash salary and fees ($)	Annual bonus ($) [(a)]	Non-monetary benefits ($)	Superannuation ($)	Long service leave ($)	Termination payments ($)	Shares ($)		
Executive Directors										
Jiameng Zhang	2018	171,084	29,405	-	-	-	-	-	200,489	-
Managing Director and Chief Executive Officer (appointed 6 November 2014)	2017	151,778	25,490	-	-	-	-	-	177,268	-
Peiya Zhuang	2018	85,542	14,703	-	-	-	-	-	100,245	-
Executive Director (appointed 29 June 2016 and resigned 4 July 2018)	2017	75,889	12,745	-	-	-	-	-	88,634	-
Non-Executive Directors										
Simon Lill	2018	30,000	-	-	-	-	-	-	30,000	-
Independent Non-Executive Director and Chairman (appointed 29 March 2018)	2017	-	-	-	-	-	-	-	-	-
Neil Sheather	2018	30,000	-	-	-	-	-	-	30,000	-
Independent Non-Executive Director and Joint Company Secretary (appointed 29 March 2018)	2017	-	-	-	-	-	-	-	-	-
Tony Zhen Lu	2018	-	-	-	-	-	-	-	-	-
Non-Executive Director, Company Secretary (appointed 27 October 2017 resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018	2017	-	-	-	-	-	-	-	-	-
Wayne Reid	2018	6,248	-	-	-	-	-	-	6,248	-
Non-Executive Director and Chairman (appointed 21 November 2017 and resigned 14 February 2018)	2017	8,650	-	-	-	-	-	-	8,650	-
Key Management Personnel										
Yiping Gu	2018	48,603	8,101						56,704	-
Current Finance Manager (appointed 1 July 2017)	2017	22,786	3,862	-	-	-	-	-	26,648	-
2018 Total	**2018**	**371,477**	**52,209**	-	-	-	-	-	**423,686**	-
2017 Total	**2017**	**259,103**	**42,097**	-	-	-	-	-	**301,200**	-

[(a)]Annual bonus is a non-performance based remuneration payable on a discretionary basis.

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
Jiameng Zhang Managing Director and Chief Executive Officer (appointed 6 November 2014)	$145,872 p.a.	5 Years	30 Days

D Share-based remuneration

On 25 October 2018, XPD Soccer Gear Group Limited issued 3,333,333 ordinary shares at $0.03 per share to Mejority Capital Limited (ASX: MJC) for a share-based payment for assisting with the reinstatement of the Company on the ASX. Mr Simon Lill and Mr Neil Sheather are directors of Mejority Capital Limited (ASX: MJC), which is a shareholder of XPD.

Except of the above, there were no options or equity instruments issued by XPD to directors, their related parties 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:

	2018	2017
	$	$
Jinjiang XPD Import and Export Ltd [(a)]		
Sales made to the related party	3,157,712	2,767,922
Payment received from the related party	3,387,214	2,639,760

	2018	2017
	$	$
Henan Yuanlong Industrial Co., Ltd		
Share of loss from investment in associate	611,032	388,178
Rental expense – recognised in profit and loss	589,410	621,016
Rental payment – included in operating cash flows	589,410	621,016

	2018	2017
	$	$
Jiameng Zhang (Director)		
Payment made on behalf of Company by the related party	-	846,083
Payment received from the related party	-	1,490,833

	2018	2017
	$	$
Chou Qin International Co., Ltd [(a)]		
Short-term advance from the related party	117,974	-

	2018	2017
	$	$
Mejority Capital Limited [(b)]		
Short-term advance from the related party	1,070	-
Share-based payment to the related party	100,000	-

	2018	2017
	$	$
Jiada Zhang [(c)]		
Payment received from related party	318,424	-
Payment to related party	261,821	-

(a) Jinjiang XPD Import and Export Ltd and Chou Qin International Co., Ltd are entities related to Mr Jiameng Zhang (Director).

(b) Mr Simon Lill and Mr Neil Sheather are directors of Mejority Capital Limited (ASX: MJC), which is also a shareholder of XPD.

(c) Jiada Zhang is a relative of Mr Jiameng Zhang (Director).

E Other Information (cont.)

Balances with related parties and key management personnel

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

2018	Receivable from related party $	Investment in associate $	Payable to related party $
Jinjiang XPD Import and Export Ltd	602,009	-	-
Henan Yuanlong Industrial Co., Ltd	-	13,695,908	-
Zhang Jiameng (Director)	-	-	4,956
Neil Sheather (Director)	-	-	12,000
Simon Lill (Director)	-	-	12,000
Lifang Zhang (Company Secretary)	-	-	9,000
Chou Qin International Co., Ltd	-	-	117,974
Mejority Capital Limited	-	-	1,070
	602,009	**13,695,908**	**157,000**

2017	Receivable from related party $	Investment in associate $	Payable to related party $
Jinjiang XPD Import and Export Ltd	798,064	-	-
Henan Yuanlong Industrial Co., Ltd	-	13,674,567	633,124
Zhang Jiameng (Director)	778,113	-	-
Benny Yubin Qiu (Director resigned 25 October 2017)	-	-	11,289
Alvin Tan (Director resigned 25 October 2017)	-	-	7,389
Wayne Reid (Director resigned 14 February 2018)	-	-	8,650
	1,576,177	**13,674,567**	**660,452**

Related party balances comprise trade receivables and payables which have arisen from the normal course of business and related party loans. No specific terms and conditions have been attached to the above transactions.

F Interest in options

No options issued or outstanding as at 31 December 2018. (2017: none)

G Interest in shares

	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Closing Balance	% of Total Shares on Issue
Executive Directors						
Jiameng Zhang (1) Managing Director and Chief Executive Officer (appointed 6 November 2014)	70,032,153	-	-	-	70,032,153	15.99%
Peiya Zhuang Executive Director (appointed ED 29 June 2016 and resigned 4 July 2018)	-	-	-	-	-	-
Non-Executive Directors						
Simon Lill Chairman of the Board (appointed as Director and Chairman 29 March 2018)	300,000	-	-	200,000	500,000	0.11%
Neil Sheather (2) Director (appointed as Director and Joint Company Secretary 29 March 2018)	35,000	-	-	-	35,000	0.01%
Tony Zhen Lu (3) Non-Executive Director (appointed Independent Non-Executive Director and Company Secretary 27 October 2017 resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018)	-	-	-	-	-	-
Wayne Reid (3) Non-Executive Director & Chairman of the Board (appointed Independent Non-Executive Director and Chairman 21 November 2017 and resigned 14 February 2018)	-	-	-	-	-	-
Key Management Personnel						
Yiping Gu Current Finance Manager (appointed 1 July 2017)	-	-	-	-	-	-
Total	**70,367,153**	**-**	**-**	**200,000**	**70,567,153**	**16.12%**

(1) Shares held by Chao Qin International Co., Ltd in which Managing Director, Jiameng Zhang 80% interest as at 31 December 2018.

(2) 35,000 shares held indirectly by Non-Director, Neil Sheather through Sage Fortunes Pty Ltd (25,000 shares), and Mrs Sheather (10,000 shares).

(3) Peiya Zhuang, Tony Zhen Lu and Wayne Reid do not hold any shares as at 31 December 2017. Wayne Reid resigned on 14 February 2018. Peiya Zhuang and Tony Zhen Lu resigned on 4 July 2018. No shares were held by Peiya Zhuang, Tony Zhen Lu and Wayne Reid at the time of their resignation.

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

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 11 to the financial statements.

A copy of the Auditor's Independence Declaration as required under section 307C 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

Simon Lill
Chairman
Dated this 29th March 2019

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2018, 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

D Chau
Partner – Audit & Assurance

Adelaide, 29 March 2019

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Corporate Governance Statement

XPD Soccer Gear Group Limited is committed to the implementation and maintenance of good corporate governance practices. The Statement sets out the extent to which XPD Soccer Gear Group Limited Board has followed the best practice recommendations set by the ASX Corporate Governance Council (the Principles and Recommendations) during the 12-month period to 31 December 2018.

The Statement is accurate and up to date as at 29th March 2019. 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: xpdsoccergear.com

The statement and corporate governance policy, which includes below:

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018	2017
		$	**$**
Sales revenue	7	89,495,601	115,426,565
Cost of sales		(66,751,415)	(84,894,862)
Gross profit		**22,744,186**	**30,531,703**
Other revenues	7	613,901	154,804
Sales and marketing expenses	8	(4,629,606)	(12,310,806)
Administration expenses	8	(4,352,321)	(4,257,237)
Research and development		(838,165)	(743,383)
Finance costs	9	(13,123)	(27,058)
Share-based payments expense	22	(100,000)	-
Share of loss from associate accounted for using equity method	17	(611,032)	(388,178)
Profit before income tax		**12,813,840**	**12,959,845**
Income tax expense	10	(3,070,305)	(4,452,004)
Profit for the year attributable to members of the parent		**9,743,535**	**8,507,841**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		4,618,192	(124,462)
Total comprehensive income for the year attributable to members of the parent		**14,361,727**	**8,383,379**
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)	6	2.24	1.96
Diluted earnings per share (cents per share)	6	2.24	1.96

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 2018

	Note	2018	2017
		$	$
Current assets			
Cash and cash equivalents	12	49,544,322	32,082,716
Trade and other receivables	13	43,140,858	46,374,729
Inventories	14	2,534,442	7,185,841
Total current assets		**95,219,622**	**85,643,286**
Non-current assets			
Property, plant and equipment	15	6,719,828	7,047,079
Land use rights	16	604,170	589,779
Investment in associate	17	13,695,908	13,674,567
Deferred tax assets	18	901,812	1,400,862
Total non-current assets		**21,921,718**	**22,712,287**
Total assets		**117,141,340**	**108,355,573**
Current liabilities			
Trade and other payables	19	8,713,481	13,633,550
Short-term borrowing	20	-	393,734
Current income tax liabilities	21	490,788	852,945
Total current liabilities		**9,204,269**	**14,880,229**
Total liabilities		**9,204,269**	**14,880,229**
Net assets		**107,937,071**	**93,475,344**
Equity			
Issued capital	22	23,845,343	23,745,343
Reserves	24	8,262,093	3,643,901
Retained earnings		75,829,635	66,086,100
Total equity		**107,937,071**	**93,475,344**

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 2018

	Note	Issued Capital	Retained earnings	Foreign Exchange Reserve	Statutory Reserves	Total
		$	$	$	$	$
Balance at 1 January 2017		**23,745,343**	**57,578,259**	**1,108,428**	**2,659,935**	**85,091,965**
Profit after income tax expense for the year		-	8,507,841	-	-	8,507,841
Other comprehensive income		-	-	(124,462)	-	(124,462)
Total comprehensive income for the year		**-**	**8,507,841**	**(124,462)**	**-**	**8,383,379**
Balance at 31 December 2017		**23,745,343**	**66,086,100**	**983,966**	**2,659,935**	**93,475,344**
Balance at 1 January 2018		**23,745,343**	**66,086,100**	**983,966**	**2,659,935**	**93,475,344**
Profit after income tax expense for the year		-	9,743,535	-	-	9,743,535
Other comprehensive income		-	-	4,618,192	-	4,618,192
Total comprehensive income for the year		**-**	**9,743,535**	**4,618,192**	**-**	**14,361,727**
Share-based payments	22	100,000	-	-	-	100,000
Total transactions with owners in their capacity as owners		**100,000**	**-**	**-**	**-**	**100,000**
Balance at 31 December 2018		**23,845,343**	**75,829,635**	**5,602,158**	**2,659,935**	**107,937,071**

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 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers		110,567,449	127,005,678
Payments to suppliers and employees		(89,130,001)	(131,725,197)
Interest received		142,532	154,804
Finance costs paid		(13,123)	(27,058)
Income tax paid		(3,472,586)	(5,436,939)
Net cash from / (used in) operating activities	27	**18,094,271**	**(10,028,712)**
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		-	(1,566,965)
Net cash (used in) investing activities		**-**	**(1,566,965)**
Cash flows from financing activities			
Repayment of short-term borrowing		(412,256)	(951,993)
(Advanced to) / repayment from related parties		(1,956,318)	671,983
Proceeds from short-term borrowing		-	386,204
Net cash from / (used in) financing activities		**(2,368,574)**	**106,194**
Net change in cash and cash equivalents held		15,725,697	(11,489,483)
Cash and cash equivalents at beginning of financial year		32,082,716	43,061,705
Effect of exchange rates on cash holdings in foreign currencies		1,735,909	510,494
Cash and cash equivalents at end of financial year	12	**49,544,322**	**32,082,716**

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

Notes to the Consolidated Financial Statements

1 General Information

XPD Soccer Gear Group Limited is a for-profit public company listed on the Australian Securities Exchange (ASX: XPD), incorporated in Australia on 22 May 2014.

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 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 31 December 2018.

2 General information and statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 29 March 2019.

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis.

The Chinese RMB is not freely convertible into foreign currencies. Under the People's Republic of China ('PRC') Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business following regulatory approvals. The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being able to access and utilise the funds held in banks and financial intuitions in the PRC to settle debts incurred in other jurisdictions including Hong Kong and Australia.

As a result, there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. However, the directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

3 Changes in significant accounting policies

3.1 New standards adopted as at 1 January 2018

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.

The Group's business model is straight forward and its contracts with customers for the sale of sportswear products include only a single performance obligation. The Group has concluded that revenue from a sale should be recognised at the point of time when a customer obtains control of the goods. The Group has concluded that the initial application of AASB 15 does not have a significant impact on the Group's revenue recognition policy.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

AASB 9 *Financial Instruments*

The Group has initially adopted AASB 9 *Financial instruments* from 1 January 2018. AASB 9 replaces AASB 139 *Financial instruments: recognition and measurement.* It sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

Based on the assessment by the Group, there is no effect of the initial application of AASB 9 at 1 January 2018 in accordance with the transition requirements.

3 Changes in significant accounting policies (cont.)

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount $	AASB 9 carrying amount $
Financial assets				
Trade and other receivables	Loans and Receivables	Amortised cost	46,374,729	46,374,729
Financial liabilities				
Trade and other payables (i)	Amortised cost	Amortised cost	13,633,550	13,633,550
Borrowings (i)	Amortised cost	Amortised cost	393,734	393,734

(1)Trade and other payables and borrowings classified as amortised cost under AASB 139. They are continued to be accounted for at amortised cost under AASB 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018.

3.2 Other amended standard adopted by the Group which do not have a material impact on the financial statements

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers to Investment Property, Annual Improvements 2017-2016 Cycle and other Amendments*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

3 Changes in significant accounting policies (cont.)

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

A number of new standards and amendments to standards are not yet effective for the year ending 31 December 2018 and have not been adopted by the Group in preparing the annual financial report.

The Group is in the process of making an assessment of what the impact of those amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standard which may have an impact on the consolidated financial statements.

AASB 16 *Leases*

AASB 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted for entities that adopt AASB 16 at or before the date of the initial adoption of AASB 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $1,573,939, see Note 25. On 1 January 2019, the Group expects to recognise right-of-use assets of approximately $1.3 million and lease liabilities of approximately $1.4 million, leading to approximately a $0.1 million decrease in net asset value. The Group expects that the impact on net profit after tax will be insignificant for the year ending 31 December 2019 as a result of adopting the new rules.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property lease will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Other than the above, there are no other new standards or amendments to standards issued but not effective are likely to have significant impact on the consolidated financial statements.

4 Significant accounting polices

a. Overall considerations

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

b. Basis of consolidation

The Group financial statements consolidate those of XPD Soccer Gear Group Limited and all of its subsidiaries as of 31 December 2018. XPD Soccer Gear Group Limited 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.

A list of controlled entities is contained in Note 30 to the financial statements. All controlled entities have a December financial year end.

c. 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.

d. 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.

4 Significant accounting polices (Cont'd)

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.

e. 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 profit or loss 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	Residual Value	Depreciation Basis
Office equipment	20%	5%	Straight line
Manufacturing equipment	10%	5%	Straight line
Motor vehicle	20%	5%	Straight line
Buildings	5%	5%	Straight line

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

4 Significant accounting polices (Cont'd)

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.

f. Investments in associates

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

Investments in associates are accounted for using the equity method.

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

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, 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 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.

g. Research and development (R&D)

Expenditure associated with the research and development of products are recognised an expense as incurred. R&D expenditures are recognised as intangible assets when they are directly attributable to the design and testing of an identifiable and unique product.

R&D expenditures have not been recognised as an intangible asset during the current period as expenditures are not directly attributable to the design and testing of an identifiable and unique product.

h. 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 on normal operating capacity. Costs are assigned on the basis of weighted average costs.

i. Leases

Operating lease
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.

Leases of land – land use rights
Land use rights represent up-front payments to relevant government authorities for long-term interests for usage of land. Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

4 Significant accounting polices (Cont'd)

Amortisation of land-use rights is calculated using the straight line method to allocate the cost of land use-rights over its estimated useful life. Land use rights have been presented separately within 'Land-use rights' in the statement of financial position.

j. Financial Instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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.

Classification and subsequent measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, the Group classifies its debt instruments as financial assets at amortised cost upon initial recognition.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. 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.

4 Significant accounting polices (Cont'd)

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Refer to Note 29 for details of credit risk analysis of the Group.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

4 Significant accounting polices (Cont'd)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Accounting policy applicable to comparative period (31 December 2017)

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.

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 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 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.

4 Significant accounting polices (Cont'd)

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 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 statement of profit or loss and other comprehensive income.

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.

k. 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 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.

l. 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 high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

m. Cash and Cash Equivalents

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

4 Significant accounting polices (Cont'd)

n. Revenue

Revenue arises mainly from sale of sportswear with a focus on soccer wear under the "XPD" brand.

To determine whether to recognise revenue, the Group follows a 5-step process:

1) Identifying the contract with a customer
2) Identifying the performance obligations
3) Determining the transaction price
4) Allocating the transaction price to the performance obligations
5) Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised when control of the products has transferred, being when the customer take undisputed delivery of the products, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Therefore, revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Accounting policy applicable to comparative period (31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale 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 time 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 Significant accounting polices (Cont'd)

o. 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 statement of profit or loss and other comprehensive income in the period in which they are incurred.

p. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid according to term.

q. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r. Value Added Tax (VAT) / Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of VAT and GST, except where the amount of VAT and GST incurred is not recoverable from the local taxation office. In these circumstances, the VAT and 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 and GST.

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

s. Comparative Figures

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

t. Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

4 Significant accounting polices (Cont'd)

Group Companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

u. Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

v. Critical accounting estimates and judgments

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.

Key estimates — Estimation of useful lives and residual value of assets
The Group determine the estimated useful lives, residual values and related depreciation and amortisation charges for its land use rights and property, plant and equipment. The useful life and residual values could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Key judgement – Land use rights
The Group have assessed and classified the land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the land right term. The directors have classified the unamortised upfront payment for the land use rights as finance leases in accordance with *AASB 117 Leases*. Land use rights have been presented within 'land-use rights' in the statement of financial position.

4 Significant accounting polices (Cont'd)

Key judgement - Investment in Associates
The Group recognises an investment in associate in accordance with AASB 128. The directors have made the judgement that due to the XPD representation on the board and the percentage of ownership of the equity (28%) that the group is able to have a significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control the associate.

At reporting date the directors have been unable to obtain a suitable qualified independent valuer to provide a fair market based assessment of the underlying assets of the Henan Yuanlong entity reflecting land use rights and warehouse development. As such the Group's investment is carried at original cost less the necessary equity accounted share of losses since the commencement of operations.

5 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.

During the year to 31 December 2018, 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 2018	**Own-brand**	**Contract third-party**	**Total**
	$	**$**	**$**
Revenue from external customers[(a)]	84,767,298	4,728,303	89,495,601
COGS for external sales	(62,763,855)	(3,987,560)	(66,751,415)
Segment Result	**22,003,443**	**740,743**	**22,744,186**
Reconciling items			
Finance costs	-	-	(13,123)
Depreciation and amortisation	-	-	(660,328)
Other expenses	-	-	(8,645,863)
Share of loss from associate	-	-	(611,032)
Profit/(loss) before income tax	**22,003,443**	**740,743**	**12,813,840**

For the year ended 31 December 2017	**Own-brand**	**Contract third-party**	**Total**
	$	**$**	**$**
Revenue from external customers[(a)]	113,186,362	2,240,203	115,426,565
COGS for external sales	(83,137,989)	(1,756,873)	(84,894,862)
Segment Result	**30,048,373**	**483,330**	**30,531,703**
Reconciling items			
Finance costs	-	-	(27,058)
Depreciation and amortisation	-	-	(562,898)
Other expenses	-	-	(16,593,724)
Share of loss from associate	-	-	(388,178)
Profit/(loss) before income tax	**30,048,373**	**483,330**	**12,959,845**

(a) All revenues from external customers are in the People's Republic of China.
(b) Group assets and liabilities are not specifically allocated across operating segments.

6 Earnings per share

Both the basic and diluted 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 2018:

	2018	2017
Profit used to calculate basic EPS	$9,743,535	$8,507,841
Weighted average number of shares used in basic and diluted EPS (numbers)	435,146,506	434,534,634

There are no dilutive securities on issue.

7 Revenue

	2018	2017
Operating activities	**$**	**$**
Sales of goods[(i)]	89,495,601	115,426,565
Total Revenue	**89,495,601**	**115,426,565**
Non-operating activities		
Interest received	142,532	154,804
Rental Income	471,369	-
Total Other Revenue	**613,901**	**154,804**

(i) Revenue from sales of goods is recognised at point in time.

8 Expenses

8.1 Sales and marketing expenses

	2018 $	2017 $
Advertising, promotion, exhibition and sponsorship	3,526,438	4,559,822
Salary expenses	639,539	567,313
Transportation expenses	131,784	134,123
Store renovation expenses	-	6,758,570
Hospitality expenses	260,719	231,145
Other sales and marketing expenses	71,126	59,833
Total sales and marketing expenses	**4,629,606**	**12,310,806**

8 Expenses (cont.)

8.2 Administration expenses

	2018	2017
	$	$
Employee expenses	2,595,838	2,352,282
Director fees	91,079	208,077
Depreciation and amortisation	165,105	158,719
Office expense	15,120	14,165
Accounting and audit expense	206,045	223,758
Hospitality expense	240,794	319,252
Travel expense	61,072	49,971
Telecommunication expense	10,766	6,551
Stamp duty expense	50,958	62,083
Union membership expense	77,721	62,555
Vehicle expense	6,089	15,150
Rental expense – associate	589,410	559,474
Other administration expense	242,324	225,200
Total administration expenses	**4,352,321**	**4,257,237**

8.3 Depreciation and amortisation expenses

	2018	2017
	$	$
Included in:		
Sales and marketing expenses	-	2,011
Administration expenses	165,105	158,719
Cost of sales	495,223	402,168
Total depreciation and amortisation expenses	**660,328**	**562,898**

8.4 Salary and employee expenses

	2018	2017
	$	$
Included in:		
Sales and marketing expenses	639,539	567,313
Administration expenses	2,595,838	2,352,282
Cost of sales	6,451,206	4,918,797
Total salary and employee expenses	**9,686,583**	**7,838,392**

9 Finance Costs

Finance costs for the reporting periods consist of the following:

	2018	2017
	$	$
Interest expense	8,488	18,879
Other expenses	4,635	8,179
Total finance costs	**13,123**	**27,058**

10 Income Tax Expense

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

	2018	2017
	$	$
The components of tax expense comprise:		
Current tax	2,571,254	4,659,530
Deferred tax expense / (credit)	499,051	(207,526)
Total income tax expense	**3,070,305**	**4,452,004**
Reconciliation of tax expense		
Profit before income tax	12,813,840	12,959,845
Prima facie tax payable on profit before income tax at 30% (2017: 30%)	3,844,152	3,887,954
Adjustment to income tax expense due to:		
- Differences in taxation rates in foreign subsidiaries	(668,910)	(680,020)
- Foreign losses not recognised (Hong Kong)	572	435
- Losses in the parent entity not recognised (Australia)	170,280	191,733
Losses in the investment in associate not recognised	183,310	97,044
Adjustment for non-deductible expenses	280,339	-
Under accrual in prior periods	221,851	221,827
Tax effect of adjustments – store renovation expense	(961,289)	733,031
Income tax attributable to the Group	**3,070,305**	**4,452,004**
The applicable weighted average effective tax rate are as follows:	24%	34%

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 2018, XPD Soccer Gear Group Limited (parent entity) had an estimated available tax loss of approximately $3.35 million (2017: $2.58 million). Tax losses in the parent entity have not been recognised as an asset as it is likely they will not be utilised due to the parent entity's holding nature of operations. Tax losses of the subsidiary, China Soccer Holdings Ltd are not recognised as an asset as they are unlikely to be realised due to the nature of the entity being a holding company.

11 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:

	2018	2017
	$	$
Remuneration of the auditor of the Company		
- auditing or reviewing the financial report	145,000	180,000
Total audit services	145,000	180,000
Non-audit services		
- taxation services	3,500	3,500
Total non-audit services	3,500	3,500
Total auditor's remuneration	**148,500**	**183,500**

12 Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2018	2017
	$	$
Cash on hand	7,019	13,536
Cash at bank	49,537,303	32,069,180
Total cash and cash equivalent	**49,544,322**	**32,082,716**

Cash at bank and on hand balances as at 31 December 2018 includes Chinese Renminbi ('RMB') denominated equivalent balances of $49.54 million (31 December 2017: $32.05 million) which are held with Industrial and Commercial Bank of China and Jinjiang Rural Commercial Bank.

The Chinese RMB is not freely convertible into foreign currencies. Under the People's Republic of China ('PRC') Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

13 Trade and Other Receivables

Trade and other receivables consist of the following:

	2018	2017
	$	$
Trade receivables[(a)]	42,356,197	45,590,160
Other receivables	784,661	784,569
Total current trade and other receivables	**43,140,858**	**46,374,729**

(a) 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 120 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

Some of the unimpaired trade receivables are past due as at reporting date. These relate to customers who have a good credit history with the Group and are expected to be recovered in full.

An analysis of unimpaired trade receivables that are past due is given in credit risk analysis Note 29.

14 Inventories

	2018	2017
	$	$
Raw materials	430,264	2,047,878
Finished goods	1,186,008	1,134,449
Work in progress	918,170	4,003,514
Net inventory	**2,534,442**	**7,185,841**

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.

15 Property, plant and equipment

	2018	2017
	$	$
Machinery and Office Equipment		
At cost	3,584,673	3,423,619
Accumulated depreciation	(1,592,072)	(1,279,081)
Total Machinery and Office Equipment	1,992,601	2,144,538
Buildings		
At cost	8,546,067	8,162,106
Accumulated depreciation	(3,821,752)	(3,262,347)
Total Buildings	4,724,315	4,899,759
Motor Vehicles		
At cost	58,244	55,628
Accumulated depreciation	(55,332)	(52,846)
Total Motor Vehicles	2,912	2,782
Total property, plant and equipment	**6,719,828**	**7,047,079**

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	Construction in Progress	Accounting Software	Total
	$	$	$	$	$	$
Balance at 31 December 2016	**728,127**	**5,368,919**	**6,239**	**260,510**	**-**	**6,363,795**
Additions	1,566,965	-	-	1,581,698	-	3,148,663
Transfer Out	-	-	-	(1,833,349)	-	(1,833,349)
Depreciation expense	(166,806)	(380,285)	(3,298)	-	-	(550,389)
Net exchange differences	16,252	(88,875)	(159)	(8,859)	-	(81,641)
Balance at 31 December 2017	**2,144,538**	**4,899,759**	**2,782**	**-**	**-**	**7,047,079**
Depreciation expense	(248,389)	(398,821)	-	-	-	(647,210)
Net exchange differences	96,451	223,377	131	-	-	319,959
Balance at 31 December 2018	**1,992,600**	**4,724,315**	**2,913**	**-**	**-**	**6,719,828**

16 Land use rights

	2018	2017
	$	$
At Cost	711,957	679,970
Accumulated amortisation	(107,787)	(90,191)
Total land use rights	**604,170**	**589,779**

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 2016	**611,814**	**611,814**
Amortisation expense	(12,509)	(12,509)
Net exchange differences	(9,526)	(9,526)
Balance at 31 December 2017	**589,779**	**589,779**
Amortisation expense	(13,118)	(13,118)
Net exchange differences	27,509	27,509
Balance at 31 December 2018	**604,170**	**604,170**

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	41 years (valid until 19 July 2060)

17 Investment in associate

Investment in Henan Yuanlong Industrial Co., Ltd

The investment represents a 28% share interest in Henan Yuanlong Industrial Co., Ltd ("HYI"), a company which is located in Henan Province, China. HYI was specifically incorporated to develop a commercial manufacturing park. XPD entered into a lease of 2 manufacturing sites and a dormitory with HYI. On the basis of the interest in HYI held by the Group, the investment was assessed to not be controlled by the Group yet elements of significant influence are present. As a result, the Group's share of profit or loss is recognised.

During the year, the Group recognised its share of loss totalling $611,032 (2017: $388,178) as a result of the equity accounting. The loss generated by HYI was a result of the manufacturing park not fully occupied at year end.

	2018	2017
	$	$
Opening balance	13,674,567	14,287,086
Share of loss	(611,032)	(388,178)
Net exchange differences	632,373	(224,341)
Net carrying value	**13,695,908**	**13,674,567**

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

	2018	2017
	$	$
Total current assets	1,470,489	814,106
Total non-current assets(a)	49,491,431	49,139,860
Total assets	**50,961,920**	**49,953,966**
Total current liabilities	552,211	260,653
Total non-current liabilities	-	-
Total liabilities	**552,211**	**260,653**
Net assets	**50,409,709**	**49,693,313**
Group's share of net assets (28%)	**14,114,718**	**13,914,128**

	2018	2017
Financial Performance	$	$
Revenue	882,981	860,783
Total comprehensive income / (loss)	**(1,592,848)**	**(873,499)**

(a) The non-current assets are predominately related to a property development at Shangqiu City, Henan Province, People's Republic of China. Stage 1 of the property has been completed. No formal independent valuation has been obtained as at the date of this report and all property development assets are held at cost.

18 Deferred tax asset

Deferred taxes arising from temporary differences as a result of different treatment on distributor store renovation support recognised for accounting and tax purposes can be summarised as follows:

	2018	2017
	$	$
Non-current		
Deferred expense – distributor store renovation support[(a)]	901,812	1,400,862
Total deferred tax asset	**901,812**	**1,400,862**

(a) In the PRC, the distributor support expenses are deferred and deductible over a 2-year period. For accounting purposes the amounts are expensed immediately.

19 Trade and Other Payables

	2018	2017
	$	$
Current		
Trade payables	4,654,102	10,974,088
Other taxes payable	1,448,001	1,063,720
Salary payable	1,765,566	1,563,927
Other payables	845,812	31,815
Total trade and other payables	**8,713,481**	**13,633,550**

20 Other Financial Liabilities

The other financial liabilities of the Group include the following:

	2018	2017
	$	$
Current		
Short term borrowings[(a) (b)]	-	393,734
	-	**393,734**

(a) No short term borrowings for the current financial year (2017: loan interest rate of 5.08% per annum).
(b) Borrowings at 31 December 2017 amounting to $393,734 was guaranteed by Shaohua Zhang, Shui-Chiao Chang, non-related entity and individual.

21 Taxation

	2018	2017
	$	$
Current tax liabilities - Income tax payable	490,788	852,945
Total income tax payable	**490,788**	**852,945**

22 Issued Capital

	2018 No. of shares	2017 No. of shares	2018 $	2017 $
Fully paid ordinary shares [(1)]				
Balance at beginning of the period	434,534,634	434,534,634	23,745,343	23,745,343
Share-based payment[(2)]	3,333,333	-	100,000	-
End of the year	**437,867,967**	**434,534,634**	**23,845,343**	**23,745,343**

(1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
(2) On 25 October 2018, XPD Soccer Gear Group Limited issued 3,333,333 ordinary shares at $0.03 per share to Mejority Capital Limited (ASX: MJC) for a share-based payment for assisting with the reinstatement of the Company on the ASX. Mr Simon Lill and Mr Neil Sheather are directors of Mejority Capital Limited (ASX: MJC), which is also a shareholder of XPD.

23 Dividends

No Dividend has been paid or declared during the year ended 31 December 2018.

24 Reserves

	2018 $	2017 $
Statutory reserve	2,659,935	2,659,935
Foreign translation reserve	5,602,158	983,966
Total reserves	**8,262,093**	**3,643,901**

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 the presentational currency of the Group (Australian Dollars).

25 Commitments

Leasing Commitments

The Group has entered into a commercial lease of 2 manufacturing buildings (30,000 sqm) and 1 dormitory (10,500 sqm) from Henan Yuanlong Industrial Co., Ltd commencing 1 June 2016. The term of the lease is 5 years.

	2018	2017
	$	$
Payable – minimum lease payments		
- Not later than 12 months	651,285	633,124
- Between 12 months and 5 years	922,654	1,530,050
- Greater than 5 years	-	-
Total	**1,573,939**	**2,163,174**

Capital Commitments

There are no capital commitments at end of 31 December 2018 (2017: None).

26 Events After the Report Date

There are no 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

27 Cash Flow Information

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

	2018	2017
	$	$
Operating profit after income tax	**9,743,535**	**8,507,841**
Non-cash flows in operating surplus		
Depreciation/Amortisation	660,328	562,898
Share of Loss from Associate	611,032	388,178
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	5,415,426	(22,305,765)
(Increase)/Decrease in inventory	4,989,436	(682,876)
Increase/(Decrease) in trade and other payables	(3,488,157)	4,485,947
(Increase)/ Decrease in deferred tax asset	564,952	(225,850)
Increase/(Decrease) in income tax payable	(402,281)	(759,085)
Cash flows from operations	**18,094,271**	**(10,028,712)**

28 Related party transactions

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

Directors
Mr Jiameng Zhang, Managing Director and Chief Executive Officer *(Appointed 6 November 2014)*
Mr Simon Lill *(Appointed as Director and Chairman 29 March 2018)*
Mr Neil Sheather *(Appointed as Director and Joint Company Secretary 29 March 2018)*
Ms Peiya Zhuang, Executive Director *(Appointed 29 June 2016 and resigned 4 July 2018)*
Mr Tony Zhen Lu *(Appointed Independent Non-Executive Director and Company Secretary 27 October 2017 resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018)*
Mr Wayne Reid *(Appointed Independent Non-Executive Director and Chairman 21 November 2017 and resigned 14 February 2018)*

Company Secretary
Mr Neil Sheather *(Appointed as Director and Joint Company Secretary 29 March 2018)*
Ms Lifang Zhang *(Appointed as Joint Company Secretary 29 March 2018)*

28.2 Aggregate compensation made to Key Management Personnel

	2018	2017
	$	$
Short-term employee benefits	423,686	301,200
Post-employment benefits	-	-
Long-term employee benefits	-	-
Share-based payments	-	-
Total compensation to Key Management Personnel	**423,686**	**301,200**

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

a. Transaction with related parties and key management personnel

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

	2018	2017
	$	$
Jinjiang XPD Import and Export Ltd [(a)]		
Sales made to the related party	3,157,712	2,767,922
Payment received from the related party	3,387,214	2,639,760

	2018	2017
	$	$
Henan Yuanlong Industrial Co., Ltd		
Share of loss from investment in associate	611,032	388,178
Rental expense – recognised in profit and loss	589,410	621,016
Rental payment – included in operating cash flows	589,410	621,016

	2018	2017
	$	$
Jiameng Zhang (Director)		
Payment made on behalf of Company by the related party	-	846,083
Payment received from the related party	-	1,490,833

28 Related party transactions (cont.)

	2018	2017
	$	$
Chou Qin International Co., Ltd [(a)]		
Short-term advance from the related party	117,974	-

	2018	2017
	$	$
Mejority Capital Limited [(b)]		
Short-term advance from the related party	1,070	-
Share-based payment to the related party	100,000	-

	2018	2017
	$	$
Jiada Zhang [(c)]		
Payment received from related party	318,424	-
Payment to related party	261,821	-

(a) Jinjiang XPD Import and Export Ltd and Chou Qin International Co., Ltd are entities related to Mr Jiameng Zhang (Director).

(b) Mr Simon Lill and Mr Neil Sheather are directors of Mejority Capital Limited (ASX: MJC), which is also a shareholder of XPD.

(c) Jiada Zhang is a relative of Mr Jiameng Zhang (Director).

b. Related party balances

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

2018	**Receivable from related party**	**Investment in associate**	**Payable to related party**
	$	**$**	**$**
Jinjiang XPD Import and Export Ltd	602,009	-	-
Henan Yuanlong Industrial Co., Ltd	-	13,695,908	-
Zhang Jiameng (Director)	-	-	4,956
Neil Sheather (Director)	-	-	12,000
Simon Lill (Director)	-	-	12,000
Lifang Zhang (Company Secretary)	-	-	9,000
Chou Qin International Co., Ltd	-	-	117,974
Mejority Capital Limited	-	-	1,070
	602,009	**13,695,908**	**157,000**

28 Related party transactions (cont.)

2017	Receivable from related party $	Investment in associate $	Payable to related party $
Jinjiang XPD Import and Export Ltd	798,064	-	-
Henan Yuanlong Industrial Co., Ltd	-	13,674,567	633,124
Zhang Jiameng (Director)	778,113	-	-
Benny Yubin Qiu (Director resigned 25 October 2017)	-	-	11,289
Alvin Tan (Director resigned 25 October 2017)	-	-	7,389
Wayne Reid (Director resigned 14 February 2018)	-	-	8,650
	1,576,177	**13,674,567**	**660,452**

Related party balances comprise trade receivables and payables which have arisen from the normal course of business and related party loans. Investment in related party relates to investment in associate (Refer to Note 17). No specific terms and conditions have been attached to the above transactions.

29 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

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.

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

29 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		Non-interest Bearing Maturing within 1 Year		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets:								
- Cash and cash equivalents (Variable interest rate)	0.30%	0.30%	49,537,303	32,069,180	7,019	13,536	49,544,322	32,082,716
- Trade and other receivables	-	-	-	-	43,140,858	46,374,729	43,140,858	46,374,729
Total Financial Assets			**49,537,303**	**32,069,180**	**43,147,877**	**46,388,265**	**92,685,180**	**78,457,445**
Financial Liabilities:								
- Trade and other payables	-	-	-	-	8,713,481	13,633,550	8,713,481	13,633,550
- Short-term borrowings	-	5.08%	-	393,734	-	-	-	393,734
Total Financial Liabilities			**-**	**393,734**	**8,713,481**	**13,633,550**	**8,713,481**	**14,027,284**
Net Financial Assets:							**83,971,699**	**64,430,161**

29 Financial Instrument Risk Management (cont.)

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 2018 generated 18% ($15,688,680) (2017: 31%, $36,240,776) of the Group's revenues during the financial year.

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 Year		Maturing within 5 Year		Total remaining contractual maturities	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	$	$	$	$	$	$	$	$
Non-interest bearing:										
- Trade and other payables	-	-	8,713,481	13,633,550	-	-	-	-	8,713,481	13,633,550
Total non-interest bearing			**8,713,481**	**13,633,550**	**-**	**-**	**-**	**-**	**8,713,481**	**13,633,550**
Interest bearing										
- Short term borrowing	-	5.08%	-	397,899	-	-	-	-	-	397,899
Total interest bearing			**-**	**397,899**	**-**	**-**	**-**	**-**	**-**	**397,899**
Total			**8,713,481**	**14,031,449**	**-**	**-**	**-**	**-**	**8,713,481**	**14,031,449**

Price risk

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

29 Financial Instrument Risk Management (cont.)

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:

	2018	2017
	$	$
Classes of financial assets		
Carrying amounts:		
Cash and cash equivalents	49,544,322	32,082,716
Trade and other receivables (Note (i))	43,140,858	46,374,729
Total	**92,685,180**	**78,457,445**

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.

(i) Trade receivables

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of China in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the due date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

29 Financial Instrument Risk Management (cont.)

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows:

31 December 2018	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
	$	$	$	$	$	$
Expected credit loss rate	-	-	-	50%	100%	
Gross carrying amount (AUD)	21,687,983	16,610,759	4,057,455	-	-	42,356,197
Lifetime expected credit loss	-	-	-	-	-	-

1 January 2018	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
	$	$	$	$	$	$
Expected credit loss rate	-	-	-	50%	100%	
Gross carrying amount (AUD)	23,643,684	21,946,476	-	-	-	45,590,160
Lifetime expected credit loss	-	-	-	-	-	-

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

30 Controlled Entities

Details of subsidiaries controlled by the Company as at 31 December 2018 are as follows:

	Country of Incorporation	Percentage Owned (%)[1] 2018	2017
		%	%
XPD Soccer Gear Group Limited	Australia		
Subsidiaries of XPD Soccer Gear Group Limited:			
China Soccer Holdings Co., Limited[2]	Hong Kong	100	100
Jinjiang Chaoda Shoes and Garment Co., Ltd	People's Republic of China	100	100

[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.

31 Cross guarantee

There is no deed of cross guarantee as at 31 December 2018 or 31 December 2017.

32 Non-controlling interest

No subsidiaries have a non-controlling interest.

33 Contingent liabilities

During the year, a legal matter in the PRC have named the Group in relation to guarantees provided to third parties. The Directors and Management consider that there is limited if any exposure to the group and the probability of a financial settlement at the Group's expense is remote.

There are no matters or circumstances that have arisen that have given rise to a contingent liability.

34 Parent Information

Statement of Financial Position	**2018**	**2017**
	$	**$**
Assets		
Current assets	7,350,938	7,382,874
Non-current assets	46,073,289	46,073,289
Total assets	**53,424,227**	**53,456,163**
Liabilities		
Current liabilities	3,829,416	3,512,797
Non-current liabilities	119,044	-
Total liabilities	**3,948,460**	**3,512,797**
Net assets	**49,475,767**	**49,943,366**
Equity		
Issued capital	56,461,697	56,361,697
Retained earnings	(6,985,930)	(6,418,331)
Total equity	**49,475,767**	**49,943,366**

	2018	**2017**
	$	**$**
Statement of Profit or Loss and Other Comprehensive Income		
Total profit (loss)	(567,599)	(639,109)
Total comprehensive income	(567,599)	(639,109)

The parent entity had no contingent liabilities as at 31 December 2018 and 31 December 2017.
The parent entity had no commitments as at 31 December 2018 and 31 December 2017.

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 2018 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 2018.

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

Simon Lill
Chairman

Dated this 29th day of March 2019

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of XPD Soccer Gear Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of XPD Soccer Group Gear Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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Basis for Qualified opinion

As disclosed in Note 4.f and Note 17 to the financial statements, the Group's Investment in Associate is accounted for under the equity method and has a total carrying value of $13,695,908. Management has determined that no impairment is required on the Group's Investment in Associate as its recoverable amount exceeds the net carrying value as at 31 December 2018. Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence as to the recoverable amount of the Group's Investment in Associate as at 31 December 2018. Consequently, we are unable to determine whether any adjustments in respect of the net carrying value of the Group's Investment in Associates as at 31 December 2018 are necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group is subject to Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations in the People's Republic of China (PRC) which may result in cash holdings in the PRC not being freely convertible into foreign currencies. As stated in Note 2.1 and Note 12, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for Qualified Opinion* section, and the *Material uncertainty related to going concern* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition **Note 4.n and Note 7**	
Revenue is a key driver to the Group. Sales revenue is generated from the manufacturing and sales of sportswear with a focus on soccer wear under the "XPD" brand. The Group's management focuses on revenue as a key driver by which the performance of the Group is measured. This area is a key audit matter due to the volume of transactions and the total balance of revenue.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Performing tests on a sample of revenue transactions to supporting documentation; • Reviewing the revenue recognition policy for each significant stream for compliance with AASB 15 *Revenue from Contracts with Customers*; • Performing substantive analytical procedures to understand movements and trends in revenue against audit expectations; • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct period; • Obtaining external confirmations for a sample of customers for amounts outstanding at year end; • Understanding trade terms between related parties to determine the sales revenue recognition point and ensure sales are made on an arm's length basis; and • Assessing the adequacy of the Group's disclosures within the financial statements

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of XPD Soccer Gear Group Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 29 March 2019

ASX Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at **27th March 2019**.

Substantial shareholders

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

Shareholder	Number	Interest
CHOU QIN INTERNATIONAL CO LTD AND JIAMENG ZHANG	70,032,153	15.99%
ACA PARTNERS LIMITED	41,153,621	9.40%
CHAO WEI DENG	40,373,358	9.22%

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	14	1,772	0.000
1,001-5,000	23	89,730	0.020
5,001-10,000	88	812,817	0.186
10,001-100,000	428	20,589,454	4.702
100,001-99,999,999,999	353	416,374,194	95.091
Totals	**906**	**437,867,967**	**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	Number of capital held
CITICORP NOMINEES PTY LIMITED	126,134,662	28.807%
CHAO WEI DENG	20,373,358	4.653%
MR CHAO WEI DENG	20,000,000	4.568%
SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENTS A/C>	10,000,000	2.284%
MR RAYMOND EDWARD MUNRO & MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	8,365,428	1.910%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <ST A/C>	7,450,095	1.701%
MS MENG MENG DONG	7,415,345	1.694%
PACIFIC DEVELOPMENT CORPORATION PTY LTD	7,070,848	1.615%
MR VU QUANG MINH DANG & MRS THI KIM DAU NGUYEN <RISING SUPER FUND A/C>	6,682,896	1.526%
HSBC CUSTODY NOMINEES	6,320,363	1.443%
WANJIA GLOBAL LIMITED	6,163,891	1.408%
MEJORITY CAPITAL LIMITED	4,729,852	1.080%
MR MICHAEL ERNEST GRANATA <THE GRANATA FAMILY A/C>	4,660,685	1.064%
MR JOHN SCHOTKAMP	4,500,000	1.028%
MRS JING ZHANG	4,162,205	0.951%
TIERRA DE SUENOS SA	4,069,001	0.929%
LILYFIELD HOLDINGS PTY LTD <LILYFIELD SUPER FUND A/C>	3,550,000	0.811%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <CW A/C>	3,381,456	0.772%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,266,012	0.746%
MRS JINNING LIANG	3,042,697	0.695%
Total Securities of Top 20 Holdings	**261,338,794**	**59.684%**
Total of Securities	**437,867,967**	**100.000%**