

**XPD Soccer Gear Group Limited**  
**Appendix 4E**  
**Preliminary Final Report**

**1. Company Details**

**Name of entity:** XPD Soccer Gear Group Limited  
**ABN:** 96 169 695 283  
**Reporting period:** For the year ended 31 December 2017  
**Previous period:** For the year ended 31 December 2016

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**2. Results for announcement to the market**

Consolidated Group	Item		\$'000	% Change		\$'000
Revenue – excluding interest received	2.1	down	1,330	1.14	to	115,427
Profit after tax attributable to members	2.2	down	4,898	36.54	to	8,508
Net Profit attributable to members	2.3	down	4,898	36.54	to	8,508
Dividend	2.4					
			Amount per security	Amount Franked		Amount Unfranked
Final dividend per share			Nil	Nil		Nil
The record date for determining entitlements to the dividend	2.5	NA				
Date final dividend payable	2.6	NA				
Explanatory information	2.7	For further information refer the annual financial report attached.				

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**3. Net tangible assets**

	31 December 2017	31 December 2016
Number of securities	434,534,634	434,534,634
Net tangible assets per ordinary security in cents	21.05	19.17

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**4. Audit qualification or review**

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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**5. Attachments**

Details of attachments (if any):

The Annual Financial Report of XPD Soccer Gear Group Limited for the year ended 31 December 2017 is attached.

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**6. Signed**

Signed by



Simon Lill  
Chairman  
Dated this 9<sup>th</sup> of July 2018



# **XPD Soccer Gear Group Limited**

## **Annual Report**

**ABN 96 169 695 283**

**For the year ended 31 December 2017**

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# 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 (*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 Andrew Smith, Non-Executive Director and Chairman of the Board (*Appointed Chairman 29 June 2016 and resigned Director and Chairman 4 August 2017*)  
Mr Shui-Chiao Chang, Non-executive Deputy Chairman (*Appointed Deputy Chairman and resigned as Non-Executive Chairman 29 June 2016 and resigned Non-Executive Director 21 November 2017*)  
Mr Andrew Plympton, Non-Executive Director and Chairman of the Audit and Risk Management Committee (*Appointed Chairman of Audit and Risk on 29 June 2016 and resigned 18 August 2017*)  
Mr Robert Gibson, Non-Executive Director (*Appointed 29 June 2016 and resigned 1 March 2017*)  
Mr Yubin Qiu (*Appointed Non-Executive Director and Chairman 4 August 2017 and resigned 25 October 2017*)  
Mr Alvin Tan (*Appointed Non-Executive Director 18 August 2017 and resigned 25 October 2017*)  
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*)  
Mr Ting Jiang (*Resigned Company Secretary 21 November 2017*)

## Company Solicitors

Mr Steinepreis Paganin (*Appointed Company's Solicitors*)

## 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 2017.

## 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**

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):**

- Mako Hydrocarbons Limited (appointed 28 August 2015; Mako was placed in administration on 30 August 2015. Directorship discontinued)

**Interests in shares:**

- 300,000

**Interest in options:**

- None

**Mr Neil Sheather**

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 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 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:**

- Sunbridge Group Limited (ASX: SBB)

**Previous listed company Directorships (last 3 years):**

- None

**Interests in shares:**

- None

**Interest in options:**

- None

### **Mr Andrew Smith**

Non-Executive Director & Chairman of the Board (Appointed Chairman 29 June 2016 and resigned Director and Chairman 4 August 2017)

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

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

#### **Other current listed company Directorships:**

- Eagle Health Holdings Limited (ASX: EHH)

#### **Previous listed company Directorships (last 3 years):**

- None

#### **Interests in shares:**

- 340,000

#### **Interest in options:**

- None

### **Mr Shui-Chiao Chang**

Non-executive Deputy Chairman (Appointed Deputy Chairman and resigned as Non-Executive Chairman 29 June 2016 and Resigned Non-Executive Director 21 November 2017)

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

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

#### **Other current listed company Directorships:**

- None

#### **Previous listed company Directorships (last 3 years):**

- None

#### **Interests in shares:**

- None

#### **Interest in options:**

- None



### **Mr Andrew Plympton**

Non-Executive Director and Chairman of the Audit and Risk Management Committee (Appointed Chairman of Audit and Risk on 29 June 2016 and resigned 18 August 2017)

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

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

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

#### **Other current listed company Directorships:**

- Harris Technology Group Limited (ASX: HT8)
- Energy Mad Limited (NZX:MAD) (Appointed 5 March 2009)

#### **Previous listed company Directorships (last 3 years):**

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

#### **Interests in shares:**

- 10,000

#### **Interest in options:**

- None

### **Mr Robert Gibson**

Non-Executive Director (Appointed 29 June 2016 and resigned 1 March 2017)

Mr Rob Gibson has 29 years of experience in stockbroking which includes the provision of strategic and stockbroking advice to many small cap companies. He is an adviser of Morgans Financial.

#### **Other current listed company Directorships:**

- None

#### **Previous listed company Directorships (last 3 years):**

- None

#### **Interests in shares:**

- 500,000

#### **Interest in options:**

- None

**Mr Benny Yubin Qiu**

Non-Executive Director and Chairman (Appointed 4 August 2017 and resigned 25 October 2017)

Mr Benny Qiu has over 30 years of experience on corporate finance, business management and international business across different industries, including manufacturing, real estate services, investment and financial services.

**Other current listed company Directorships:**

- Sunbridge Group Limited (ASX: SBB)

**Previous listed company Directorships (last 3 years):**

- None

**Interests in shares:**

- 150,000

**Interest in options:**

- None

**Mr Alvin Tan**

Non-Executive Director (Appointed 18 August 2017 and resigned 25 October 2017)

Mr Tan is an Australian permanent resident and has significant experiences in Corporate Finance across Asia. He is now the Group Corporate Finance Director for Nipsea Group which has operations in over 16 countries in Asia (ex-Japan). Prior to that he was a Vice President for Titan Capital in Singapore from 2007 to 2010 and a Senior Associate in KPMG Corporate Finance in Singapore between 2004 and 2007. He also worked for AMRO and JP Morgan Chase as a research analyst.

**Other current listed company Directorships:**

- None

**Previous listed company Directorships (last 3 years):**

- None

**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 29 March 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

### Company Secretary

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.

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

### Principal activities

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

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

### Review of operations and financial results

The Financial Year ending 31 December 2017 has been a challenging year for the XPD Group, though in presenting this year's financial statements we are proud of our operational achievements amidst an increasingly competitive trading environment.

#### *Key highlights:*

- Sales revenue for FY2017 decreased by 1.14% to \$115.4 million when compared to FY2016. Sales revenue in the functional currency (RMB) was up by 3.65% year on year. The augmented decrease in consolidated AUD sales revenue was due to exchange rate impact. (Average RMB / AUD rate 2017: 0.1931; 2016: 0.2026) The market for sports gear continues to grow in China, but the competition for sales has become more vigorous.
- As a consequence the Gross Profit margin has reduced to a still healthy 26.5%, with the overall gross profit for FY2017 of \$30.5 million being a reduction of 21.1% from the 2016 results (\$38.6 million)
- Net profit after income tax decreased by 36.54% to \$8.5 million for FY2017 compared to \$13.4 million in FY2016.
- Total sales and marketing expenses for FY2017 were reduced in the competitive environment to \$12.3 million (FY2016: \$14.4 million).
- Total administrative expenses for FY2017 were marginally increased to \$4.2 million (FY2016: \$3.95 million).
- Foreign exchange translation losses were only \$124,462, an inconsequential figure relative to FY2016 \$4.5 million.
- Market competition also forced a drift in trading terms from 90 days towards 120 days during the key selling period leading up to the reporting date. This resulted in the balance sheet showing a diminished cash balance of \$32.0 million, down from FY2016's \$43.1 million. This is partly reflected in the corresponding increase in trade and other receivables to \$46.3 million (FY2016: \$25.4 million). As at the date of signing the annual report, these receivables have largely been collected.

## Market Commentary

As the living standards are increasingly lifted amongst the Chinese population, awareness of health issues and the benefit of participation in sports activities has grown. The Chinese government has also recognized these benefits and has re-enforced its policies, commencing at the school curricular level. As a result, soccer has become a compulsory part of the national education curricular as school based sports are being implemented to improve students' physical health and to encourage national excellence in sport.

As a result of supportive government policies and the increasing demand in sports gear including soccer shoes and clothing from youth consumers (students and other youth groups), XPD's revenue in FY2017 has increased. However, due to the growingly vigorous market competition, the expenditure such as costs for store renovations have also gone up.

Further, XPD has enhanced its research and development, production of youth soccer related products and launched a series of children/youth soccer related products. The company sponsors soccer league games at all levels of schools and universities, together with private soccer clubs to enhance customer loyalty. XPD has also expanded the "school+XPD+soccer clubs" model, through which XPD provides soccer products and coaches to schools and clubs. This has achieved effective brand promotion and consequential sales.

XPD views 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 much 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; consequently XPD are comfortable with their strategy in targeting these areas.

Within these cities XPD has 2,103 retail stores, though has reduced the number of resellers due to competition, from 241 to 215.

With increasing competition, brand marketing and promotion is critical for XPD to continue to succeed. In order to deliver a simple yet consistent branding message to the company's consumers, XPD has focussed on marketing soccer related products since 2005, although the Company does produce other sports products. During FY2017, XPD has continued to invest significant funds towards marketing and promotion, using traditional media including commercial TV, outdoor advertising, newspapers and magazines, as well as social media to advance branding growth. To further enable more youth to know the XPD brand, the company plans 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 is very much targeting the younger generation and seeking to retain their brand loyalty.

China's Ecommerce market is the fastest growing and the largest trading volume market in the world. The company sells and promotes its products and brands through Ecommerce platform without locality or time restrictions. The company has online stores on the popular third party Ecommerce platforms such as Tmall, JD and Paixie. However the Ecommerce 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 Ecommerce sales. XPD plans to improve its online sales performance through development of new products and more effective advertising investment.

## Research & development and production

XPD continues to research application of new materials and styles so that the company's shoes and clothing products meet the preferences of young consumers. Manufacturing is done at the company's own factory located in Jinjiang City, and by contracted producers.

The company prefers the advantages of running owner operations which include greater:

- effective control of the operational processes;
- capacity and flexibility to respond to market changes in a timely manner; and
- capacity for premium quality.

All clothing accessories are manufactured by outsourced contractors.

### **XPD's Development and operational strategy and vision**

China's national sports strategy is not purely focussed on soccer. The detailed goals include participation in promotion of sports for participation, entertainment, cultural and industry purposes. This will in turn drive the development of the relevant consumer markets. The sales of sports related products are 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. XPD plans to increase its R&D expenditure into the future.

Due to the inevitable nature of the aging population in China, demand for shoes suitable for jogging and other sports taken on by senior population has grown in conjunction. XPD will increase its investment and production in this space.

XPD has developed a partnership with New Generation Team of the Chinese National Croquet Team and Chinese Croquet Association on research and development, wearing testing and fast tests and have launched New Generation X-1 Senior Healthy Boots - high value products. In future XPD will strengthen product R&D to enhance R&D and design in market demand driven segment products.

XPD has come up with a broad strategy to enhance its branding development:

- Strengthening market research to understand consumer demands, products R&D and store renovation to enhance brand awareness.
- Cooperating with professional brand-consolidation agencies, via brand consolidation promotional activities, to further plan and upgrade brand positioning, brand visual effects and brand promotion in order to lift brand reputation and influence.
- Increasing the number of regional agents and expanding sales network, depending on the market demand, based on the current sales agents channels.
- Adopting new technologies and materials to continue innovating new products to improve products saleability and capability for premier.
- Paying more attention to the development strategy for soccer gear while increasing R&D and production of other sports shoes and clothing depending on market demand, in particular, badminton and table tennis gear. Not only will this bring more revenue to the company but also more profits to the agents (sales channels). In turn, this will enable a healthier sales system.
- Potentially acquiring upstream and downstream resource entities, horizontally and vertically, depending on the development needs of the company. This will increase XPD's business scope while achieving higher investment return by taking complementary advantages and reducing costs.

## 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
<b>Jiameng Zhang</b> (Appointed 6 November 2014)	3	3
<b>Simon Lill</b> (Appointed 29 March 2018)	-	-
<b>Neil Sheather</b> (Appointed 29 March 2018)	-	-
<b>Peiya Zhuang</b> (Appointed 29 June 2016 and resigned 4 July 2018))	3	2
<b>Tony Zhen Lu</b> (Appointed 27 October 2017 and resigned 4 July 2018)	-	-
<b>Andrew Smith</b> (Appointed 29 June 2016 and resigned 4 August 2017)	2	2
<b>Shui-Chiao Chang</b> (Appointed 29 June 2016 and Resigned 21 November 2017)	3	1
<b>Andrew Plympton</b> (Appointed on 29 June 2016 and resigned 18 August 2017)	1	1
<b>Robert Gibson</b> (Appointed 29 June 2016 and resigned 1 March 2017)	1	1
<b>Yubin Qiu</b> (Appointed 04 August 2017 and resigned 25 October 2017)	1	1
<b>Alvin Tan</b> (Appointed 18 August 2017 and resigned 25 October 2017)	1	1
<b>Wayne Reid</b> (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 principles of the Group’s executive strategy and supporting incentive programs and frameworks are:

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

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

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

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

#### *Fixed remuneration being annual salary*

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

#### *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.



**XPD Soccer Gear Group Limited and its Controlled Entities**  
**Consolidated Financial Report**  
**For the year ended 31 December 2017**

*Use of Remuneration Consultants*

No Remuneration consultant has been engaged by the Company during the year (2016: none).

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

XPD received more than 84% of "yes" votes on its remuneration report for the 2016 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	2017	2016
<b>EPS (cents)</b>	1.96	3.23
<b>Dividends (cents per share)</b>	-	-
<b>Net profit / loss (\$)</b>	8,507,841	13,405,461
<b>Share price (\$)<sup>(a)</sup></b>	0.033	0.095

(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	Non-monetary benefits	Superannuation	Long service leave	Termination payments	Options		
Executive Directors										
Jiameng Zhang Managing Director and Chief Executive Officer (appointed 6 November 2014)	2017	151,778	25,490	-	-	-	-	-	177,268	-
	2016	129,008	24,314	-	-	-	-	-	153,322	-
Jiashun Zhang Executive Director and Chief Operations Officer (resigned as Executive Director/COO 29 June 2016)	2017	-	-	-	-	-	-	-	-	-
	2016	45,937	-	-	-	-	-	-	45,937	-
Peiya Zhuang Executive Director (appointed 29 June 2016 and resigned 4 July 2018)	2017	75,889	12,745	-	-	-	-	-	88,634	-
	2016	50,945	12,157	-	-	-	-	-	63,102	-
Non-Executive Directors										
Shui-Chiao Chang Deputy Chairman, Non-executive Deputy Chairman (appointed Deputy Chairman, resigned as Chairman 29 June 2016 and resigned Non-Executive Director 21 November 2017)	2017	113,834	19,117	-	-	-	-	-	132,951	-
	2016	97,255	18,235	-	-	-	-	-	115,490	-
Andrew Smith Non-Executive Director & Chairman of the Board (appointed Chairman 29 June 2016 and resigned 4 August 2017)	2017	39,600	-	-	-	-	-	-	39,600	-
	2016	76,984	-	-	-	-	-	-	76,984	-
Andrew Plympton Non-Executive Director, Chairman of the Audit and Risk Management Committee (appointed Chairman of Audit and Risk 29 June 2016 and resigned 18 August 2017)	2017	32,000	-	-	-	-	-	-	32,000	-
	2016	48,000	-	-	-	-	-	-	48,000	-
Robert Gibson Non-Executive Director (appointed 29 June 2016, resigned 1 March 2017)	2017	8,000	-	-	-	-	-	-	8,000	-
	2016	24,000	-	-	-	-	-	-	24,000	-
Benjamin Meikle Non-Executive Director (resigned 29 June 2016)	2017	-	-	-	-	-	-	-	-	-
	2016	28,000	-	-	-	-	-	-	28,000	-
Benny Yubin Qiu Non-Executive Director and Chairman (appointed 4 August 2017 and resigned 25 October 2017)	2017	11,289	-	-	-	-	-	-	11,289	-
	2016	-	-	-	-	-	-	-	-	-
Alvin Tan Non-Executive Director (appointed 18 August 2017 and resigned 25 October 2017)	2017	6,616	-	-	-	-	-	-	6,616	-
	2016	-	-	-	-	-	-	-	-	-
Wayne Reid Non-Executive Director and Chairman (appointed 21 November 2017 and resigned 14 February 2018)	2017	8,650	-	-	-	-	-	-	8,650	-
	2016	-	-	-	-	-	-	-	-	-

XPD Soccer Gear Group Limited and its Controlled Entities  
Consolidated Financial Report  
For the year ended 31 December 2017

**B Details of remuneration (cont.)**

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	Non-monetary benefits	Superannuation	Long service leave	Termination payments	Options		
Tony Zhen Lu 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	-	-	-	-	-	-	-	-	-
	2016	-	-	-	-	-	-	-	-	-
<b>Key Management Personnel</b>										
Yiping Gu Current Finance Manager (appointed 1 July 2017)	2017	22,786	3,862	-	-	-	-	-	26,648	-
	2016	-	-	-	-	-	-	-	-	-
Renfeng Xiu Former Chief Finance Officer (resigned as CFO 30 September 2016)	2017	-	-	-	-	-	-	-	-	-
	2016	32,418	-	-	-	-	-	-	32,418	-
Yiyu Guo Current Chief Financial Officer (appointed 1 October 2016 and resigned 30 June 2017)	2017	25,103	-	-	-	-	-	-	25,103	-
	2016	12,230	4,052	-	-	-	-	-	16,282	-
Ting Jiang Company Secretary (resigned 21 November 2017)	2017	44,000	-	-	-	-	-	-	44,000	-
	2016	48,000	-	-	-	-	-	-	48,000	-
<b>2017 Total</b>	<b>2017</b>	<b>539,545</b>	<b>61,214</b>	-	-	-	-	-	<b>600,759</b>	-
<b>2016 Total</b>	<b>2016</b>	<b>592,777</b>	<b>58,758</b>	-	-	-	-	-	<b>651,535</b>	-

## 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
<b>Jiameng Zhang</b> Managing Director and Chief Executive Officer (appointed 6 November 2014)	\$145,872 p.a.	5 Years	30 Days
<b>Peiya Zhuang</b> Executive Director (appointed ED 29 June 2016 and resigned at 4 July 2018)	\$72,936 p.a.	5 Years	30 Days

## D Share-based remuneration

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

## E Other Information

### *Transaction with related parties and key management personnel*

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

	2017	2016
	\$	\$
<b>Jinjiang XPD Import and Export Ltd</b>		
Sales made to the related party	2,767,922	3,589,472
Payment received from the related party	2,639,760	3,887,455
	2017	2016
	\$	\$
<b>Henan Yuanlong Industrial Co., Ltd</b>		
Share of Loss from investment in associate	388,178	674,422
Rental expense – recognised in profit and loss	621,016	293,496
Rental payment – included in operating cash flows	621,016	293,496
	2017	2016
	\$	\$
<b>Jiameng Zhang (Director)</b>		
Payment made on behalf of Company by the related party	846,083	1,585,355
Payment received from the related party	1,490,833	2,099,186
Short-term advance to the related party	-	1,786,634

## 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 balance date arising are as follows:

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
	<b>1,576,177</b>	<b>13,674,567</b>	<b>660,452</b>

  

2016	Receivable from related party \$	Investment in Associate \$	Payable to related party \$
Jinjiang XPD Import and Export Ltd	677,686	-	-
Henan Yuanlong Industrial Co., Ltd	-	14,952,520	-
Zhang Jiameng (Director)	1,434,404	-	-
	<b>2,112,090</b>	<b>14,952,520</b>	<b>-</b>

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 2017. (2016: none)

## G Interest in shares

	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Closing Balance	% of Total Shares on Issue
<b>Executive Directors</b>						
Jiameng Zhang <sup>(1)</sup> Managing Director and Chief Executive Officer (appointed 6 November 2014)	150,825,047	-	-	(80,792,894)	70,032,153	16.12%
Jiashun Zhang <sup>(2)</sup> Executive Director and Chief Operations Officer (resigned as Executive Director/COO 29 June 2016)	15,794,004	-	-	-	15,794,004	3.63%
Peiya Zhuang Executive Director (appointed ED 29 June 2016 and resigned 4 July 2018)	-	-	-	-	-	-
<b>Non-Executive Directors</b>						
Simon Lill Non-Executive Director & Chairman of the Board (appointed as Director and Chairman 29 March 2018)	-	-	-	300,000	300,000	0.07%
Neil Sheather Non-Executive Director (appointed as Director and Joint Company Secretary 29 March 2018)	-	-	-	35,000	35,000	0.01%
Shui-Chiao Chang <sup>(1)</sup> Deputy Chairman, Non-executive Deputy Chairman (appointed Deputy Chairman and resigned as Chairman 29 June 2016 and resigned Non-Executive Director 21 November 2017)	99,601,518	-	-	(99,601,518)	-	-
Andrew Smith <sup>(3)</sup> Non-Executive Director & Chairman of the Board (appointed Chairman 29 June 2016 and resigned Director and Chairman 4 August 2017)	340,000	-	-	-	340,000	0.08%
Andrew Plympton Non-Executive Director, Chairman of the Audit and Risk Management Committee (appointed Chairman of Audit and Risk 29 June 2016 and resigned 18 August 2017)	20,000	-	-	(10,000)	10,000	0.00%
Robert Gibson Non-Executive Director (appointed 29 June 2016, resigned 1 March 2017 and resigned 1 March 2017)	500,000	-	-	-	500,000	0.12%
Tony Zhen Lu 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)	-	-	-	-	-	-
Yubin Qiu Non-Executive Director & Chairman of the Board (appointed Non-Executive Director and Chairman 4 August 2017 and resigned 25 October 2017)	-	-	-	150,000	150,000	0.03%
Alvin Tan Non-Executive Director (appointed Non-Executive Director 18 August 2017 and resigned 25 October 2017)	-	-	-	-	-	-
Wayne Reid Non-Executive Director & Chairman of the Board (appointed Independent Non-Executive Director and Chairman 21 November 2017 and resigned 14 February 2018)	-	-	-	-	-	-

## G Interest in shares (cont.)

	Opening Balance	Received as Compensatio	Options Exercised	Net Change Other	Closing Balance	% of Total Shares on Issue
<b>Key Management Personnel</b>						
Yiping Gu Current Finance Manager (appointed 1 July 2017)	-	-	-	-	-	-
Yiyu Guo Current Chief Financial Officer (appointed as CFO 1 October 2016 and resigned 30 June 2017)	-	-	-	-	-	-
Ting Jiang Company Secretary (resigned 21 November 2017)	-	-	-	-	-	-
<b>Total</b>	<b>267,080,569</b>	<b>-</b>	<b>-</b>	<b>(179,919,412)</b>	<b>87,161,157</b>	<b>20.06%</b>

<sup>(1)</sup> Shares held by Chou Qin International Co., Ltd in which retired Chairman, Shui-Chiao Chang and Managing Director, Jiameng Zhang have a 20% and 80% interest respectively as at 31 December 2017. As Shui-Chiao Chang held 20% only of Chou Qin International he is not deemed to hold a relevant interest in any of the Chou Qin shares.

<sup>(2)</sup> Shares held by Meng Shun Da Group Co., Ltd in which Executive Director, Jiashun Zhang has a 100% interest. Closing balance is noted as the number of shares held at 9 July 2018.

<sup>(3)</sup> 10,000 shares held directly by Chairman, Andrew Smith. Indirect holdings held through Smith Super Investment Pty Ltd (310,000 shares), Andrew Smith Investment Pty Ltd (10,000 shares) and Lisa Mary Smith (10,000 shares).

*End of audited Remuneration Report.*



## Environmental legislation

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

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

### Insurance of officers

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

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

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

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

### Indemnity of auditors

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

## Non-audit services

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

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

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

### 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 s307C of the *Corporations Act 2001* is included in this financial report and forms part of this Directors' Report.

### Proceedings of behalf of the Company

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

Signed in accordance with a resolution of the Directors



Simon Lill  
Chairman  
Dated this 9<sup>th</sup> of July 2018

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## Auditor's Independence Declaration To the Directors of XPD Soccer Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of XPD Soccer Group Limited for the year ended 31 December 2017, 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 AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 9 July 2018

ACN-130 913 594

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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 2017.

The Statement is accurate and up to date as at 9<sup>th</sup> July 2018. 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:

- Board Charter
- Board Performance Evaluation Policy
- Code of Conduct
- Audit and Risk Management Committee Charter
- Remuneration and Nomination 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 2017

	Note	2017 \$	2016 \$
Sales revenue	7	115,426,565	116,757,028
Cost of sales		(84,894,862)	(78,059,449)
<b>Gross profit</b>		<b>30,531,703</b>	<b>38,697,579</b>
Other revenues	7	154,804	129,825
Sales and marketing expenses	8	(12,310,806)	(14,373,436)
Administration expenses	8	(4,257,237)	(3,952,957)
Research and Development		(743,383)	(525,129)
Finance costs	9	(27,058)	(347,737)
Share of loss from associate accounted for using equity method	17	(388,178)	(674,422)
<b>Profit before income tax</b>		<b>12,959,845</b>	<b>18,953,723</b>
Income tax expense	10	(4,452,004)	(5,548,262)
<b>Profit for the year attributable to members of the parent</b>		<b>8,507,841</b>	<b>13,405,461</b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		(124,462)	(4,458,247)
<b>Total comprehensive income for the year attributable to members of the parent</b>		<b>8,383,379</b>	<b>8,947,214</b>

## Earnings per share on profit attributable to ordinary equity holders

Basic earnings per share (cents per share)	6	1.96	3.23
Diluted earnings per share (cents per share)	6	1.96	3.23

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 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	12	32,082,716	43,061,705
Trade and other receivables	13	46,374,729	25,430,471
Inventories	14	7,185,841	6,599,332
<b>Total current assets</b>		<b>85,643,286</b>	<b>75,091,508</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	7,047,079	6,363,795
Land use rights	16	589,779	611,814
Investment in associate	17	13,674,567	14,287,086
Deferred tax assets	18	1,400,862	1,193,336
<b>Total non-current assets</b>		<b>22,712,287</b>	<b>22,456,031</b>
<b>Total assets</b>		<b>108,355,573</b>	<b>97,547,539</b>
<b>Current liabilities</b>			
Trade and other payables	19	13,633,550	9,832,898
Other financial liabilities	20	393,734	985,507
Current tax liabilities	21	852,945	1,637,169
<b>Total current liabilities</b>		<b>14,880,229</b>	<b>12,455,574</b>
<b>Total liabilities</b>		<b>14,880,229</b>	<b>12,455,574</b>
<b>Net assets</b>		<b>93,475,344</b>	<b>85,091,965</b>
<b>Equity</b>			
Issued capital	22	23,745,343	23,745,343
Reserves	25	3,643,901	3,768,363
Retained earnings		66,086,100	57,578,259
<b>Total equity</b>		<b>93,475,344</b>	<b>85,091,965</b>

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 2017

	Note	Issued Capital \$	Retained earnings \$	Foreign Exchange Reserve \$	Statutory Reserves \$	Total \$
<b>Balance at 1 January 2016</b>		<b>13,728,653</b>	<b>48,006,886</b>	<b>5,566,675</b>	<b>2,659,935</b>	<b>69,962,149</b>
Profit after income tax expense for the year		-	13,405,461	-	-	13,405,461
Other comprehensive income		-	-	(4,458,247)	-	(4,458,247)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>13,405,461</b>	<b>(4,458,247)</b>	<b>-</b>	<b>8,947,214</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued	22	10,016,690	-	-	-	10,016,690
Dividends to shareholders	24	-	(3,834,088)	-	-	(3,834,088)
<b>Balance at 31 December 2016</b>		<b>23,745,343</b>	<b>57,578,259</b>	<b>1,108,428</b>	<b>2,659,935</b>	<b>85,091,965</b>
<b>Balance at 1 January 2017</b>		<b>23,745,343</b>	<b>57,578,259</b>	<b>1,108,428</b>	<b>2,659,935</b>	<b>85,091,965</b>
Profit after income tax expense for the year		-	8,507,841	-	-	8,507,841
Other comprehensive income		-	-	(124,462)	-	(124,462)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>8,507,841</b>	<b>(124,462)</b>	<b>-</b>	<b>8,383,379</b>
<b>Transactions with owners in their capacity as owners</b>						
Issuance of share capital		-	-	-	-	-
Dividends to shareholders		-	-	-	-	-
<b>Balance at 31 December 2017</b>		<b>23,745,343</b>	<b>66,086,100</b>	<b>983,966</b>	<b>2,659,935</b>	<b>93,475,344</b>

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 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		127,005,678	108,899,415
Payments to suppliers and employees		(131,725,197)	(93,297,477)
Interest received		154,804	129,825
Finance costs paid		(27,058)	(347,737)
Income tax paid		(5,436,939)	(6,561,510)
<b>Net cash provided by operating activities</b>	28	<b>(10,028,712)</b>	<b>8,822,516</b>
<b>Cash flows from investing activities</b>			
Payment for the purchase of property, plant and equipment		(1,566,965)	(260,510)
<b>Net cash (used in) investing activities</b>		<b>(1,566,965)</b>	<b>(260,510)</b>
<b>Cash flows from financing activities</b>			
Repayment of short-term borrowing		(951,993)	(7,525,036)
Dividend paid		-	(998,897)
Cash received from related parties		671,983	-
Proceeds from shares issued		-	7,350,000
Proceeds from short-term borrowing		386,204	685,992
<b>Net cash (used in) financing activities</b>		<b>106,194</b>	<b>(487,941)</b>
Net change in cash and cash equivalents held		(11,489,483)	8,074,065
Cash and cash equivalents at beginning of financial year		43,061,705	37,748,751
Effect of exchange rates on cash holdings in foreign currencies		510,494	(2,761,111)
<b>Cash and cash equivalents at end of financial year</b>	12	<b>32,082,716</b>	<b>43,061,705</b>

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



# Notes to the Consolidated Financial Statements

## 1 Nature of operations

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

The Group operates in two business segments, sportswear under its owned XPD brand and OEM business for overseas brands 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 2017.

## 2 General information and statement of compliance

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

XPD Soccer Gear Group Limited is the Group's Ultimate Parent Company. XPD Soccer Gear Group Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office is Exchange Tower Level 1, 530 Little Collins Street, Melbourne VIC 3000, Australia. Its principle place of business is Huzhong Industrial Zone, Chendai Town, Jinjiang City, Fujian Province, China.

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 9 July 2018.

### 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 institutions 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 accounting policies

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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Australian Accounting Standards and interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the financial year.

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

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the year reporting year ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

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

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Based on the Group's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

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

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

Based on the Group's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

##### ***AASB 16 Leases (Application date: 1 January 2019)***

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.

## 4 Summary of accounting policies

### 4.1 Overall considerations

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

### 4.2 Basis of consolidation

The Group financial statements consolidate those of XPD Soccer Gear Group Limited and all of its subsidiaries as of 31 December 2017. 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 31 to the financial statements. All controlled entities have a December financial year end.

### 4.3 Foreign currency translation

#### *Functional and presentation currency*

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

#### *Foreign currency transactions and balances*

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

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

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

#### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian Dollars are translated into Australian Dollars upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

## 4 Summary of accounting policies (cont.)

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

### 4.4 Segment reporting

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

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

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

### 4.5 Revenue

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

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

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

Grant revenue is recognised at the point of receipt.

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

### 4.6 Borrowing costs

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

## 4 Summary of accounting policies (cont.)

### 4.7 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.

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

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

## 4 Summary of accounting policies (cont.)

### 4.8 Income Tax

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

#### *Current tax*

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

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

#### *Deferred tax*

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

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

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

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

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

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

### 4.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads.

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

## 4 Summary of accounting policies (cont.)

### 4.10 Investments in associates and joint arrangements

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

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

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

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

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

### 4.11 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.

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.

### 4.12 Financial instruments

#### **Initial recognition and measurement**

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

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.

## 4 Summary of accounting policies (cont.)

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

### *Effective interest rate method*

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

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

### **Classification and subsequent measurement**

#### *Loans and receivables*

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

#### *Financial liabilities*

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

#### *Fair value*

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

#### *Impairment of financial assets*

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

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



## 4 Summary of accounting policies (cont.)

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

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

### 4.13 Impairment of Non-Financial Assets

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

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

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

### 4.14 Value Added Tax (VAT) / Goods and Services Tax (GST)

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

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

### 4.15 Cash and cash equivalents

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

### 4.16 Store renovation support

Store renovation support are costs associated with renovation of retail stores and sites held by distributor and agents. Store renovation support costs are recognised in profit or loss in the period in which they are incurred.

### 4.17 Employee benefits

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

## 4 Summary of accounting policies (cont.)

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 government bonds with terms to maturity that match the expected timing of cash flows.

### 4.18 Comparative Figures

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

### 4.19 Critical accounting estimates and judgements

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

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

#### *Key estimates - Impairment of non-financial assets*

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

#### *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.

#### *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 2017, 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 2017	Own-brand	Contract third-party	Total
	\$	\$	\$
Revenue from external customers <sup>(a)</sup>	113,186,362	2,240,203	115,426,565
COGS for external sales	(83,137,989)	(1,756,873)	(84,894,862)
<b>Segment Result</b>	<b>30,048,373</b>	<b>483,330</b>	<b>30,531,703</b>
<b>Reconciling items</b>			
Finance costs	-	-	(27,058)
Depreciation and amortisation	-	-	(562,898)
Other expenses	-	-	(16,593,724)
Share of loss from associate	-	-	(388,178)
<b>Profit/(loss) before income tax</b>	<b>30,048,373</b>	<b>483,330</b>	<b>12,959,845</b>
<b>For the year ended 31 December 2016</b>	<b>Own-brand</b>	<b>Contract third-party</b>	<b>Total</b>
	\$	\$	\$
Revenue from external customers <sup>(a)</sup>	113,822,489	2,934,539	116,757,028
COGS for external sales	(75,790,817)	(2,268,632)	(78,059,449)
<b>Segment Result</b>	<b>38,031,672</b>	<b>665,907</b>	<b>38,697,579</b>
<b>Reconciling items</b>			
Finance costs	-	-	(347,737)
Depreciation and amortisation	-	-	(598,259)
Other expenses	-	-	(18,123,438)
Share of loss from associate	-	-	(674,422)
<b>Profit/(loss) before income tax</b>	<b>38,031,672</b>	<b>665,908</b>	<b>18,953,723</b>

(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 2017:

	2017	2016
Profit used to calculate basic EPS	\$8,507,841	\$13,405,461
Weighted average number of shares used in basic and diluted EPS (numbers)	434,534,634	414,449,602

There are no dilutive securities on issue.

## 7 Revenue

	2017	2016
Operating activities	\$	\$
Sales of goods	115,426,565	116,757,028
<b>Total Revenue</b>	<b>115,426,565</b>	<b>116,757,028</b>
<b>Non-operating activities</b>		
Interest received	154,804	129,825
<b>Total Other Revenue</b>	<b>154,804</b>	<b>129,825</b>

## 8 Expenses

### 8.1 Sales and marketing expenses

	2017	2016
	\$	\$
Advertising, promotion, exhibition and sponsorship	4,559,822	6,381,910
Salary expenses	567,313	436,930
Transportation expense	134,123	136,158
Store renovation expenses <sup>(a)</sup>	6,758,570	7,026,889
Other sales and marketing expenses	290,978	391,549
<b>Total sales and marketing expenses</b>	<b>12,310,806</b>	<b>14,373,436</b>

(a) The renovation expenses do not meet the definition of assets and have been expensed as incurred. The store renovations have been undertaken by independent contractors to sites which are controlled by distributors.

## 8 Expenses (cont.)

### 8.2 Administration expenses

	2017	2016
	\$	\$
Employee expenses	2,352,282	2,059,357
Director fees	208,077	144,200
Depreciation and amortisation	158,719	171,817
Office expense	14,165	10,389
Accounting and audit expense	223,758	148,182
Hospitality expense	319,252	411,006
Legal and consulting expense	-	5,930
Travel expense	49,971	10,127
Telecommunication expense	6,551	11,517
Stamp duty expense	62,083	54,600
Union membership expense	62,555	63,424
Vehicle expense	15,150	20,197
Rental expense – associate	559,474	293,496
Other administration expense	225,200	548,715
<b>Total administration expenses</b>	<b>4,257,237</b>	<b>3,952,957</b>

### 8.3 Depreciation and amortisation expenses

	2017	2016
	\$	\$
Included in:		
Sales and marketing expenses	2,011	3,165
Administration expenses	158,719	171,817
Cost of sales	402,168	423,276
<b>Total depreciation and amortisation expenses</b>	<b>562,898</b>	<b>598,258</b>

### 8.4 Salary and employee expenses

	2017	2016
	\$	\$
Included in:		
Sales and marketing expenses	567,313	436,930
Administration expenses	2,352,282	2,059,357
Cost of sales	4,918,797	6,304,975
<b>Total salary and employee expenses</b>	<b>7,838,392</b>	<b>8,801,262</b>

## 9 Finance Costs

Finance costs for the reporting periods consist of the following:

	2017	2016
	\$	\$
Interest expense	18,879	342,727
Other expenses	8,179	5,010
<b>Total finance costs</b>	<b>27,058</b>	<b>347,737</b>

## 10 Income Tax Expense

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

	2017 \$	2016 \$
<b>The components of tax expense comprise:</b>		
Current tax	4,452,004	5,548,262
<b>Total income tax expense</b>	<b>4,452,004</b>	<b>5,548,262</b>
<b>Reconciliation of tax expense</b>		
Profit before income tax	12,959,845	18,953,723
Prima facie tax payable on profit before income tax at 30% (2016: 30%)	3,887,954	5,686,117
Adjustment to income tax expense due to:		
Differences in taxation rates in foreign subsidiaries	(680,020)	(988,503)
Foreign losses not recognized (Hong Kong)	435	429
Losses in the parent entity not recognised (Australia)	191,733	244,473
Losses in the investment in associate not recognised	97,044	168,606
Over/under accrual in prior periods	221,827	287,044
Tax effect of adjustments – store renovation expense	733,031	150,096
<b>Income tax attributable to the Group</b>	<b>4,452,004</b>	<b>5,548,262</b>
The applicable weighted average effective tax rate are as follows:	34%	29%

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 2017, XPD Soccer Gear Group Limited (parent entity) had an estimated available tax loss of approximately \$2.58 million (2016: \$1.95 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 is 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:

	2017 \$	2016 \$
Remuneration of the auditor of the Company		
- auditing or reviewing the financial report	180,000	147,000
Total audit services	180,000	147,000
Non-audit services		
- taxation services	3,500	3,500
Total non-audit services	3,500	3,500
<b>Total auditor's remuneration</b>	<b>183,500</b>	<b>150,500</b>

## 12 Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2017	2016
	\$	\$
Cash on hand	13,536	99,569
Cash at bank	32,069,180	42,962,136
<b>Total cash and cash equivalent</b>	<b>32,082,716</b>	<b>43,061,705</b>

Cash at bank and on hand balances as at 31 December 2017 includes Chinese Renminbi ('RMB') denominated equivalent balances of \$32.05 million (31 December 2016: \$42.94 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:

	2017	2016
	\$	\$
Trade receivables <sup>(a)</sup>	45,590,160	23,647,498
Other receivables	784,569	1,782,973
<b>Total current trade and other receivables</b>	<b>46,374,729</b>	<b>25,430,471</b>

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.

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

	2017	2016
	\$	\$
120 – 180 days	-	-
181 – 365 days	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

<sup>(a)</sup> Within trade receivable is an amount receivable from Jinjiang XPD Import and Export Ltd, a related party, amounting to \$0.80 million (2016: \$0.68 million).

## 14 Inventories

	2017	2016
	\$	\$
Raw materials	2,047,878	1,947,019
Finished goods	1,134,449	964,477
Work in progress	4,003,514	3,687,836
<b>Net inventory</b>	<b>7,185,841</b>	<b>6,599,332</b>

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

	2017	2016
	\$	\$
<b>Machinery and Office Equipment</b>		
At cost	3,423,619	1,854,236
Accumulated depreciation	(1,279,081)	(1,126,109)
Total Machinery and Office Equipment	2,144,538	728,127
<b>Buildings</b>		
At cost	8,162,106	8,287,854
Accumulated depreciation	(3,262,347)	(2,918,935)
Total Buildings	4,899,759	5,368,919
<b>Motor Vehicles</b>		
At cost	55,628	56,484
Accumulated depreciation	(52,846)	(50,245)
Total Motor Vehicles	2,782	6,239
<b>Construction in Progress</b>		
At cost	-	260,510
Accumulated depreciation	-	-
Total Construction in Progress	-	260,510
<b>Accounting Software</b>		
At cost	-	5,597
Accumulated depreciation	-	(5,597)
Total Accounting Software	-	-
<b>Total property, plant and equipment</b>	<b>7,047,079</b>	<b>6,363,795</b>



## 15 Property, plant and equipment (cont.)

### *Movement in Carrying Amounts*

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

	<b>Machinery and Office Equipment</b>	<b>Buildings</b>	<b>Motor Vehicles</b>	<b>Construction in Progress</b>	<b>Accounting Software</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Balance at 31 December 2015</b>	<b>953,831</b>	<b>6,085,459</b>	<b>15,514</b>	<b>-</b>	<b>21</b>	<b>7,054,825</b>
Additions	-	-	-	260,510	-	260,510
Depreciation expense	(177,462)	(398,990)	(8,567)	-	(21)	(585,040)
Net exchange differences	(48,242)	(317,550)	(708)	-	-	(366,500)
<b>Balance at 31 December 2016</b>	<b>728,127</b>	<b>5,368,919</b>	<b>6,239</b>	<b>260,510</b>	<b>-</b>	<b>6,363,795</b>
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)
<b>Balance at 31 December 2017</b>	<b>2,144,538</b>	<b>4,899,759</b>	<b>2,782</b>	<b>-</b>	<b>-</b>	<b>7,047,079</b>

## 16 Land use rights

	2017	2016
	\$	\$
At Cost	679,970	690,446
Accumulated Amortisation	(90,191)	(78,632)
<b>Total Land Use Rights</b>	<b>589,779</b>	<b>611,814</b>

### *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
	\$	\$
<b>Balance at 31 December 2015</b>	<b>659,866</b>	<b>659,866</b>
Amortisation expense	(13,218)	(13,218)
Net exchange differences	(34,834)	(34,834)
<b>Balance at 31 December 2016</b>	<b>611,814</b>	<b>611,814</b>
Amortisation expense	(12,509)	(12,509)
Net exchange differences	(9,526)	(9,526)
<b>Balance at 31 December 2017</b>	<b>589,779</b>	<b>589,779</b>

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	42 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 of which XPD is now a tenant. During the year ended 31 December 2016, XPD entered into a lease of 2 manufacturing sites and a dormitory. 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 \$388,178 (2016: \$674,422) 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.

	2017 \$	2016 \$
Opening balance	14,287,086	15,790,280
Share of loss	(388,178)	(674,422)
Net exchange differences	(224,341)	(828,772)
<b>Net carrying value</b>	<b>13,674,567</b>	<b>14,287,086</b>

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

	2017 \$	2016 \$
Total current assets	814,106	821,104
Total non-current assets <sup>(a)</sup>	49,139,860	51,144,911
<b>Total assets</b>	<b>49,953,966</b>	<b>51,966,015</b>
Total current liabilities	260,653	602,859
Total non-current liabilities	-	-
<b>Total liabilities</b>	<b>260,653</b>	<b>602,859</b>
<b>Net assets</b>	<b>49,693,313</b>	<b>51,363,156</b>
<b>Group’s share of net assets</b>	<b>13,914,128</b>	<b>14,381,684</b>

	2017 \$	2016 \$
<b>Financial Performance</b>		
Revenue	860,783	411,677
<b>Total comprehensive income / (loss)</b>	<b>(873,499)</b>	<b>(2,066,238)</b>

- (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 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:

	2017	2016
	\$	\$
<b>Non-Current</b>		
Deferred Expense – distributor renovation support <sup>(a)</sup>	1,400,862	1,193,336
<b>Total deferred tax asset</b>	<b>1,400,862</b>	<b>1,193,336</b>

<sup>(a)</sup> 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

	2017	2016
	\$	\$
<b>Current</b>		
Trade payables	10,974,088	6,770,216
Other taxes payable	1,063,720	1,221,956
Salary payable	1,563,927	1,496,647
Other payables	31,815	344,079
<b>Total trade and other payables</b>	<b>13,633,550</b>	<b>9,832,898</b>

## 20 Other Financial Liabilities

The other financial liabilities of the Group include the following:

	2017	2016
	\$	\$
<b>Current</b>		
Short term borrowings <sup>(a) (b)</sup>	393,734	985,507
	<b>393,734</b>	<b>985,507</b>

(a) Interest rate for short term borrowings is 5.08% per annum for the current financial year (2016: 6.09% to 8.50% per annum). The current year weighted average interest rate for the loan balance is 5.08% per annum (2016: 7.29% per annum).

(b) \$393,734 of borrowings are guaranteed by Shaohua Zhang, Shui-Chiao Chang, non-related entity and individual.

## 21 Taxation

	2017	2016
	\$	\$
Current tax liabilities - Income tax payable	852,945	1,637,169
<b>Total income tax payable</b>	<b>852,945</b>	<b>1,637,169</b>

## 22 Issued Capital

	2017	2016	2017	2016
	No. of shares	No. of shares	\$	\$
<u>Fully paid ordinary shares</u> <sup>(1)</sup>				
Balance at beginning of the period	434,534,634	383,408,833	23,745,343	13,728,653
Share issued through share placement <sup>(2)</sup>	-	35,000,000	-	7,350,000
Share issued through dividend reinvestment plan <sup>(3)</sup>	-	16,125,801	-	2,666,690
<b>End of the year</b>	<b>434,534,634</b>	<b>434,534,634</b>	<b>23,745,343</b>	<b>23,745,343</b>

- (1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- (2) On 19 May 2016, XPD Soccer Gear Group Limited issued 35 million ordinary shares at \$ 0.21 per share to the distributors of XPD Group.
- (3) On 26 April 2016, XPD Soccer Gear Group Limited introduced a dividend reinvestment plan to allow eligible shareholders to reinvest dividends on their shareholding to acquire additional shares in the Group at a discounted market price (5% discount on average market price).

## 23 Capital Management

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

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

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

	2017	2016
	\$	\$
Total liabilities	14,880,229	12,455,574
Less: cash and cash equivalents	(32,082,716)	(43,061,705)
Net liabilities/(Net cash and cash equivalents)	(17,202,487)	(30,606,131)
<b>Total equity</b>	<b>93,475,344</b>	<b>85,091,965</b>
<b>Net liabilities/(Net cash and cash equivalent) to equity ratio</b>	<b>(18%)</b>	<b>(36%)</b>

## 24 Dividends

No Dividend has been paid or declared during the year ended 31 December 2017.

The board of Directors is yet to determine the dividends plan in relation to the year ended 31 December 2017.

During the prior year, an unfranked final dividend of \$1,086,890 (1 cent per share) was paid on 30 May 2016 in respect of the year ended 31 December 2015. The Dividend Reinvestment Plan (DRP) was in operation and shares were allocated based on the DRP issue price that was advised to the market.

## 25 Reserves

	2017	2016
	\$	\$
Statutory reserve	2,659,935	2,659,935
Foreign translation reserve	983,966	1,108,428
<b>Total reserves</b>	<b>3,643,901</b>	<b>3,768,363</b>

### *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).

## 26 Commitments

### **Leasing Commitments**

The Group has entered into 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.

	2017	2016
	\$	\$
Payable – minimum lease payments		
- Not later than 12 months	633,124	561,319
- Between 12 months and 5 years	1,530,050	1,917,841
- Greater than 5 years	-	-
<b>Total</b>	<b>2,163,174</b>	<b>2,479,160</b>

### **Capital Commitments**

There are no capital commitments at end of 31 December 2017.

## 27 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

## 28 Cash Flow Information

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

	2017	2016
	\$	\$
<b>Operating Profit/(Loss) after income tax</b>	<b>8,507,841</b>	<b>13,405,461</b>
<b>Non-cash flows in operating surplus/(deficit)</b>		
Depreciation/Amortisation	562,898	598,258
Share of Loss from Associate	388,178	674,422
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in trade receivables	(22,305,765)	(7,857,613)
(Increase)/Decrease in inventory	(682,876)	1,109,536
Increase/(Decrease) in trade payables and accruals	4,485,947	4,944,181
Increase/(Decrease) in notes payables	-	(3,038,480)
(Increase)/ Decrease in deferred tax asset	(225,850)	(1,193,336)
Increase/(Decrease) in income tax payable	(759,085)	180,087
<b>Cash flows from operations</b>	<b>(10,028,712)</b>	<b>8,822,516</b>

## 29 Related party transactions

### 29.1 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 Andrew Smith, Non-Executive Director & Chairman of the Board (*Appointed Chairman 29 June 2016 and resigned Director and Chairman 4 August 2017*)  
Mr Shui-Chiao Chang, Non-executive Deputy Chairman (*Appointed Deputy Chairman and resigned as Non-Executive Chairman 29 June 2016 and Resigned Non-Executive Director 21 November 2017*)  
Mr Andrew Plympton, Non-Executive Director and Chairman of the Audit and Risk Management Committee (*Appointed Chairman of Audit and Risk on 29 June 2016 and resigned 18 August 2017*)  
Mr Robert Gibson, Non-Executive Director (*Appointed 29 June 2016, resigned 1 March 2017*)  
Mr Yubin Qiu (*Appointed Non-Executive Director and Chairman 04 August 2017 and resigned 25 October 2017*)  
Mr Alvin Tan (*Appointed Non-Executive Director 18 August 2017 and resigned 25 October 2017*)  
Mr Wayne Reid (*Appointed Independent Non-Executive Director and Chairman 21 November 2017 and resigned 14 February 2018*)

## 29 Related party transactions (cont.)

### 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*)

Mr Ting Jiang (*Resigned Company Secretary 21 November 2017*)

### 29.2 Aggregate compensation made to Key Management Personnel

	2017	2016
	\$	\$
Short-term employee benefits	600,759	651,535
Post-employment benefits	-	-
Long-term employee benefits	-	-
Share-based payments	-	-
<b>Total compensation to Key Management Personnel</b>	<b>600,759</b>	<b>651,535</b>

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:

	2017	2016
	\$	\$
<b>Jinjiang XPD Import and Export Ltd</b>		
Sales made to the related party	2,767,922	3,589,472
Payment received from the related party	2,639,760	3,887,455
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Henan Yuanlong Industrial Co., Ltd</b>		
Share of Loss from investment in associate	388,178	674,422
Rental expense – recognised in profit and loss	621,016	293,496
Rental payment – included in operating cash flows	621,016	293,496
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Jiameng Zhang (Director)</b>		
Payment made on behalf of Company by the related party	846,083	1,585,355
Payment received from the related party	1,490,833	2,099,186
Short-term advance to the related party	-	1,786,634



## 29 Related party transactions (cont.)

### b. Related party balances

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

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
	<b>1,576,177</b>	<b>13,674,567</b>	<b>660,452</b>

  

2016	Receivable from related party \$	Investment in Associate \$	Payable to related party \$
Jinjiang XPD Import and Export Ltd	677,686	-	-
Henan Yuanlong Industrial Co., Ltd	-	14,952,520	-
Zhang Jiameng (Director)	1,434,404	-	-
	<b>2,112,090</b>	<b>14,952,520</b>	<b>-</b>

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.

## 30 Financial Instrument Risk Management

### *Risk management objectives and policies*

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

### *Financial instruments used*

The principal categories of financial instrument used by the Group:

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

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

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

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

### 30 Financial Instrument Risk Management (cont.)

#### *Financial instrument composition and maturity analysis*

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

#### *Financial instrument composition and maturity analysis*

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 Years		Non-interest Bearing Maturing within 1 Year		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>										
- Cash and cash equivalents (Variable interest rate)	0.30%	0.34%	32,069,180	42,962,136	-	-	13,536	99,569	32,082,716	43,061,705
- Trade and other receivables			-	-	-	-	46,374,729	25,430,471	46,374,729	25,430,471
<b>Total Financial Assets</b>			<b>32,069,180</b>	<b>42,962,136</b>	<b>-</b>	<b>-</b>	<b>46,388,265</b>	<b>25,530,040</b>	<b>78,457,445</b>	<b>68,492,176</b>
<b>Financial Liabilities:</b>										
- Trade and other payables			-	-	-	-	13,633,550	9,832,898	13,633,550	9,832,898
- Short-term borrowings	5.08%	7.29%	393,734	985,507	-	-	-	-	393,734	985,507
<b>Total Financial Liabilities</b>			<b>393,734</b>	<b>985,507</b>	<b>-</b>	<b>-</b>	<b>13,633,550</b>	<b>9,832,898</b>	<b>14,027,284</b>	<b>10,818,405</b>
<b>Net Financial Assets:</b>									<b>64,430,161</b>	<b>57,673,771</b>

### 30 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 2017 generated 31% (\$36,240,776) (2016: 49% \$57,704,640) 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-interest bearing:</b>										
- Trade and other payables	-	-	13,633,550	9,832,898	-	-	-	-	13,633,550	9,832,898
<b>Total non-interest bearing</b>			<b>13,633,550</b>	<b>9,832,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,633,550</b>	<b>9,832,898</b>
<b>Interest bearing</b>										
- Short term borrowing	5.08%	7.29%	397,899	989,836	-	-	-	-	397,899	989,836
<b>Total interest bearing</b>			<b>397,899</b>	<b>989,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397,899</b>	<b>989,836</b>
<b>Total</b>			<b>14,031,449</b>	<b>10,822,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,031,449</b>	<b>10,822,734</b>

### 30 Financial Instrument Risk Management (cont.)

#### *Price risk*

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

#### *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:

	2017	2016
	\$	\$
Classes of financial assets		
Carrying amounts:		
Cash and cash equivalents	32,082,716	43,061,705
Trade and other receivables	46,374,729	25,430,471
<b>Total</b>	<b>78,457,445</b>	<b>68,492,176</b>

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.

### 31 Controlled Entities

Details of subsidiaries controlled by the Company as at 31 December 2017 are as follows:

	Country of Incorporation	Percentage Owned (%) <sup>(1)</sup>	
		2017	2016
		%	%
<b>XPD Soccer Gear Group Limited</b>	Australia		
<b>Subsidiaries of XPD Soccer Gear Group Limited:</b>			
- China Soccer Holdings Co., Limited <sup>(2)</sup>	Hong Kong	100	100
- Jinjiang Chaoda Shoes and Garment Co., Ltd	People's Republic of China	100	100

<sup>(1)</sup> Percentage of voting power is in proportion to ownership;

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

### 32 Cross guarantee

There is no deed of cross guarantee as at 31 December 2017 or 31 December 2016.

### 33 Non-controlling interest

No subsidiaries have a non-controlling interest.

### 34 Contingent liabilities

During the year, two legal matters 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.

Other than noted above, there are no matters or circumstances that have arisen that have given rise to a contingent liability.

### 35 Parent Information

Statement of Financial Position	2017 \$	2016 \$
<b>Assets</b>		
Current assets	7,382,874	6,127,249
Non-current assets	46,073,289	47,932,686
<b>Total assets</b>	<b>53,456,163</b>	<b>54,059,935</b>
<b>Liabilities</b>		
Current liabilities	3,512,797	3,477,460
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>3,512,797</b>	<b>3,477,460</b>
<b>Net assets</b>	<b>49,943,366</b>	<b>50,582,475</b>
<b>Equity</b>		
Issued capital	56,361,697	56,361,697
Retained earnings	(6,418,331)	(5,779,222)
<b>Total equity</b>	<b>49,943,366</b>	<b>50,582,475</b>
	<b>2017 \$</b>	<b>2016 \$</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit (loss)	(639,109)	(623,206)
Total comprehensive income	(639,109)	(623,206)

The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2016.

The parent entity had no commitments as at 31 December 2017 and 31 December 2016.

## 36 Company Details

**The registered office of the Company is:**

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

**The principle place of business of the Company is:**

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



## Director's declaration

1. In the opinion of the Directors of XPD Soccer Gear Group Limited:
  - a The consolidated financial statements and notes of XPD Soccer Gear Group Limited are in accordance with the *Corporations Act 2001*, including
    - a Giving a true and fair view of its financial position as at 31 December 2017 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 2017.
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



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Simon Lill  
Chairman

Dated this 9<sup>th</sup> day of July 2018

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## Independent Auditor's Report To the Members of XPD Soccer Group Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of XPD Soccer Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of XPD Soccer Group Limited 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 2017 and of its financial performance for the year then ended; and
- b Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Qualified Opinion

As disclosed in Note 4.10 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 \$13,674,567. 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 2017. 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 2017. 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 2017 are necessary.

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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 Peoples 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 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
<b>Revenue Recognition</b> <b>Note 4.5 and 7</b> <p>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.</p> <p>The Group's management focuses on revenue as a key driver by which the performance of the Group is measured.</p> <p>This area is a key audit matter due to the volume of transactions and the total balance of revenue.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the design of internal controls relating to revenue processing and recognition;</li> <li>• Testing the operating effectiveness of internal controls surrounding the existence and occurrence of revenues;</li> <li>• Reviewing a sample of revenue transactions to supporting documentation;</li> <li>• Assessing the revenue recognition policy for compliance with AASB 118 <i>Revenues</i>;</li> <li>• Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations;</li> <li>• Understanding trade terms between related parties to ensure sales revenue have been appropriately recognised; and</li> <li>• Assessing the adequacy of the Group's disclosures within the financial statements.</li> </ul>

### **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 2017, 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 Group 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/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.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 2017.

In our opinion, the Remuneration Report of XPD Soccer Group Limited, for the year ended 31 December 2017 complies with section 300A of the Corporations Act 2001.

### **Responsibilities**

The Directors of the Group 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.

The logo for Grant Thornton, featuring the company name in a stylized, cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'J L Humphrey'.

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 9 July 2018

# 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 **4 July 2018**.

## *Substantial shareholders*

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

Shareholder	Number
CITICORP NOMINEES PTY LIMITED	124,750,152

## *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	12	1,770	0.000
1,001-5,000	30	120,831	0.028
5,001-10,000	94	870,089	0.200
10,001-100,000	469	22,971,759	5.287
100,001-99,999,999,999	372	410,570,185	94.485
<b>Totals</b>	<b>977</b>	<b>434,534,634</b>	<b>100.000</b>

## *Securities Exchange*

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

## *Other information*

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

*Twenty largest shareholders*

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

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Number of capital held</b>
CITICORP NOMINEES PTY LIMITED	124,750,152	28.709
BNP PARIBAS NOMINEES PTY LTD	20,373,358	4.689
MR CHAO WEI DENG	20,000,000	4.603
MR RAYMOND EDWARD MUNRO & MRS SUSAN ROBERTA MUNRO	19,075,000	4.390
SUN HUNG KAI INVESTMENT SERVICES LTD	10,000,000	2.301
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,173,388	1.881
MS MENG MENG DONG	7,415,345	1.707
PACIFIC DEVELOPMENT CORPORATION PTY LTD	7,070,848	1.627
WANJIA GLOBAL LIMITED	6,163,791	1.418
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,450,095	1.254
MR JOHN SCHOTKAMP	4,500,000	1.036
MRS JING ZHANG	4,162,205	0.958
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,266,012	0.752
TIERRA DE SUEÑOS SA	3,150,000	0.725
MRS JINNING LIANG	3,042,697	0.700
BNP PARIBAS NOMINEES PTY LTD	3,012,501	0.693
KEYGROWTH TRADING PTY LTD	3,000,000	0.690
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,840,000	0.654
LILYFIELD HOLDINGS PTY LTD	2,575,000	0.593
PERSHING AUSTRALIA NOMINEES PTY LTD	2,519,642	0.580
<b>Total</b>	<b>260,540,034</b>	<b>59.958</b>
<b>Grand total</b>	<b>434,534,634</b>	<b>100.000</b>