ASX Announcement

31 August 2018

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Appendix 4D and Half-year Financial Report

XPD Soccer Gear Group Limited (ASX: XPD) lodges the attached Appendix 4D and the half-year Financial Report for the period ended 30 June 2018.

This document contains all the half-year information required by ASX LR 4.2A. The information enclosed should be read in conjunction with the most recent annual financial report.

XPD Soccer Gear Group Limited Communications and Investor Relations:

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Appendix 4D

1. Company Details

Name of Entity: XPD Soccer Gear Group Limited

ABN: 96 169 695 283

Half year ended ("current period"): 30 June 2018

Half year ended ("previous period"): 30 June 2017

2. Results for announcement to the market

2.1	Revenues from continuing operations	Down	32.4%	to	$37,805,306
2.2	Profit / (Loss) from continuing operations after tax attributable to members	Down	40.4%	to	$5,364,468
2.3	Net Profit / (Loss) for the period attributable to members	Down	40.4%	to	$5,364,468

2.4 Dividends: N/A

2.5 Record date for determining entitlements to the dividend: N/A

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood

Revenue for the half-year ended 30 June 2018 was $37.8 million, representing a decrease of 32.4% on the comparative period of 2017. The decrease in revenue was mainly attributable to the ongoing activities in the soccer wear market in China by some of the major Chinese sportswear manufacturers. This has resulted in lower pricing and competition for sales in the segment.

Given the deterioration in the trading conditions and the Company's ongoing consideration of funds transferability between the PRC and Australia, the Board has decided it is not in a position to pay a dividend.

3. Net tangible assets per security

30 June 2018: 23.07 cents
30 June 2017: 20.74 cents

4. Details of entities over which control has been gained or lost

4.1 Control gained over entities

N/A

4.2 Control lost over entities:

N/A

5. Dividends

Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

N/A	
The last date(s) for receipt of election notices for the dividend or distribution plans.	N/A

7. Details of associates and joint entities:

The Group has 28% of share interest in Henan Yuanlong Industrial Co., Limited – Net loss for the period $263,970 (June 2017: $171,317).

8. Foreign entities

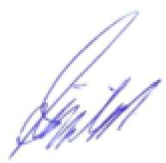
The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134 *"Interim Financial Reporting"* and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with international accounting standards.

Adjustments have been made to the non-Australian entities within the Group to ensure compliance with Australia Accounting Standards.

9. If the accounts are subject to audit dispute or qualification, details are described below.

The half-year financial report has been reviewed and qualified conclusion has been issued.

Signed by:



Simon Lill
Chairman
Date: 31 August 2018

XPD SOCCER GEAR GROUP LIMITED AND ITS CONTROLLED ENTITIES

ABN 96 169 695 283

HALF YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Contents

Corporate Information

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

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

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

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

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

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

Banker
ANZ
Collins Place
55 Collins Street
Melbourne VIC 3000

Auditor
Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide SA 5000

All monetary amounts in this report are in Australian dollars unless stated otherwise. The financial year begins on 1 January and ends on 31 December each year.

Directors' Report

The Directors of XPD Soccer Gear Group Limited (XPD or the Company) present their Report together with the financial statements of the Consolidated Entity, being XPD and its Controlled Entities ('the Group') for the half-year ended 30 June 2018.

Director details

The following persons were Directors of XPD during or since the end of the financial half-year:

Directors	Appointment Date
Mr Jiameng Zhang, Managing Director and Chief Executive Officer	6 November 2014
Mr Simon Lill, Independent Non-Executive Director and Chairman	29 March 2018
Mr Neil Sheather, Independent Non-Executive 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, Independent Non-Executive Director and Company Secretary	Appointed 27 October 2017 resigned as Company Secretary on 29 March 2018 and resigned as Director on 4 July 2018
Mr Wayne Reid, Independent Non-Executive Director and Chairman	Appointed 21 November 2017 and resigned 14 February 2018

Mr Jiameng Zhang
Managing Director and CEO (Appointed 6 November 2014)

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

Mr Zhang holds an Executive Master of Business Administration from Huaqiao University China. He is the deputy Chairman of Fujian Provincial Football Association and the Chairman of Jinjiang City Football Association.

Other current listed company Directorships:
- None

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

Interests in shares:
- 70,032,153

Interest in options:
- None

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

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

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

Previous listed company Directorships (last 3 years):
- 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
Independent Non-Executive Director and Joint Company Secretary (Appointed 29 March 2018)

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

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

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

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

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

Interests in shares:
- 35,000

Interest in options:
- None

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

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

Other current listed company Directorships:
- None

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

Interests in shares:
- None

Interest in options:
- None

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

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

Other current listed company Directorships:
- None

Previous listed company Directorships (last 3 years):
- Sunbridge Group Limited (ASX: SBB – Appointed on 18 July 2017 and resigned on 14 December 2017)

Interests in shares:
- None

Interest in options:
- None

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

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

Other current listed company Directorships:
- None

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

Interests in shares:
- None

Interest in options:
- None

Joint Company secretary

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

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

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

Principal activities

The Company's principal activities are designing, developing, manufacturing, distributing and marketing sportswear under the "XPD" brand.

Review of operations and financial results

During the first half of 2018, sales of sportswear products diminished significantly under the impact of soft Chinese economic development and aggressive inroads by large Chinese domestic sportswear manufacturers, including Anta Sports and Xtep Sports, who have continued to expand their business into the soccer sportswear segment. As a result smaller producers have also started a pricing war which has impacted the sales performance.

XPD has fought to maintain profit margin, though gross profit margin experienced a decrease from 29.8% to 23.6% compared to the same period last year – though comparable to the full year's result of 26.5%.

Despite the soft economic environment and competitive pressure, XPD are pleased to note that we continued to operate profitably, reporting a net profit after tax of $5.4 million, which was 40.4% lower than in the corresponding period of 2017.

The figure is improved through exchange rate fluctuations of $3.4 million which result in a Total Comprehensive Income of $8.7 million.

The Board recognise this figure is disappointing relative to the commensurate period last year. We will note that some of the Board's focus has been on the relisting of its shares on the ASX, and consequently once relisted we hope to be able to work towards improving sales revenues and margins.

To that end we plan to reinforce our market share of soccer sportswear in schools and develop and commence sales of croquet shoes targeting senior customers to improve our trade conditions during the second half of the year.

Events occurring after balance date

There has not been in the period since 30 June 2018 and up to the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than matters mentioned elsewhere in the Half Year Financial Report.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 7 of this financial report and forms part of this Directors Report.

Signed in accordance with a resolution of the Directors.

Simon Lill
Chairman
31 August 2018

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Level 3
170 Frome Street
Adelaide, SA 5000

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Auditor's Independence Declaration

To the Directors of XPD Soccer Gear Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of XPD Soccer Gear Group Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 31 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Sales revenue	6	37,805,306	55,955,614
Cost of sales		(28,876,237)	(39,263,523)
Gross profit		**8,929,069**	**16,692,091**
Other revenues		537,925	85,718
Sales and marketing expenses		(1,168,402)	(2,148,251)
Administration expenses		(1,532,378)	(1,953,580)
Research and development		(408,339)	(368,425)
Finance costs		(6,161)	(15,442)
Share of associate profit or loss using equity method	10	(263,970)	(171,317)
Profit before income tax		**6,087,744**	**12,120,794**
Income tax expense		(723,276)	(3,123,347)
Profit for the period attributable to members of the parent		**5,364,468**	**8,997,447**
Other comprehensive income :			
Items that may subsequently be reclassified to profit or loss:			
Exchange difference on translating foreign operations		3,352,155	(2,643,025)
Total comprehensive income for the period attributable to members of the parent		**8,716,623**	**6,354,422**
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)	7	1.23	2.07
Diluted earnings per share (cents per share)	7	1.23	2.07

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 $	31 December 2017 $
Current assets			
Cash and cash equivalents	8	54,655,080	32,082,716
Trade and other receivables		31,111,314	46,374,729
Inventories		6,719,197	7,185,841
Total current assets		**92,485,591**	**85,643,286**
Non-current assets			
Property, plant and equipment	9	6,972,433	7,047,079
Land use rights		604,377	589,779
Investment in associate	10	13,901,926	13,674,567
Deferred tax assets		1,352,163	1,400,862
Total non-current assets		**22,830,899**	**22,712,287**
Total assets		**115,316,490**	**108,355,573**
Current liabilities			
Trade and other payables		12,559,171	13,633,550
Other financial liabilities		-	393,734
Current tax liabilities		565,352	852,945
Total current liabilities		**13,124,523**	**14,880,229**
Total liabilities		**13,124,523**	**14,880,229**
Net assets		**102,191,967**	**93,475,344**
Equity			
Issued capital		23,745,343	23,745,343
Reserves	11	6,996,056	3,643,901
Retained earnings		71,450,568	66,086,100
Total equity		**102,191,967**	**93,475,344**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

	Issued Capital	Retained earnings	Foreign Exchange Reserve	Statutory Reserves	Total
	$	$	$	$	$
Balance at 1 January 2017	**23,745,343**	**57,578,259**	**1,108,428**	**2,659,935**	**85,091,965**
Profit after income tax expense for the period	-	8,997,447	-	-	8,997,447
Other comprehensive income for the period	-	-	(2,643,025)	-	(2,643,025)
Total comprehensive income for the period	**-**	**8,997,447**	**(2,643,025)**	**-**	**6,354,422**
Balance at 30 June 2017	**23,745,343**	**66,575,706**	**(1,534,597)**	**2,659,935**	**91,446,387**
Balance at 1 January 2018	**23,745,343**	**66,086,100**	**983,966**	**2,659,935**	**93,475,344**
Profit after income tax expense for the period	-	5,364,468	-	-	5,364,468
Other comprehensive income for the period	-	-	3,352,155	-	3,352,155
Total comprehensive income for the period	**-**	**5,364,468**	**3,352,155**	**-**	**8,716,623**
Balance at 30 June 2018	**23,745,343**	**71,450,568**	**4,336,121**	**2,659,935**	**102,191,967**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Receipts from customers		61,608,937	64,135,557
Payments to suppliers and employees		(38,876,188)	(50,297,049)
Interest received		63,794	85,718
Finance costs		(6,161)	(15,442)
Income tax paid		(942,470)	(2,994,307)
Net cash provided by operating activities		**21,847,912**	**10,914,477**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1,580,068)
Net cash used in investing activities		**-**	**(1,580,068)**
Cash flows from financing activities			
Proceeds from borrowings		-	385,806
Repayments of borrowings		(407,890)	(948,266)
Net cash used in financing activities		**(407,890)**	**(562,460)**
Net change in cash held		21,440,022	8,771,949
Cash at beginning of the period		32,082,716	43,061,705
Effect of exchange rates on cash holdings in foreign currencies		1,132,342	(953,975)
Cash and cash equivalents at end of the period	8	**54,655,080**	**50,879,679**

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1. General Information

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

The principal activities of the Company and its subsidiaries (the Group) during the course of half-year were development, manufacture, marketing and distribution of sportswear with a focus on soccer gear.

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

There were no other significant changes in the nature of the Group's principal activities during the half-year of 2018.

2. General information and basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 30 June 2018 and are presented in Australian Dollars ($AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and *Corporations Act 2001*.

The interim 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 interim 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.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in Note 3.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 31 August 2018.

3. Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2017, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 31 December 2017 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 30 June 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

3. Changes in significant accounting policies (Cont'd)

3.1 Revenue

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

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

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

3.2 Financial Instruments

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

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

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

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

Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

3. Changes in significant accounting policies (Cont'd)

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables

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

Classification and measurement of financial liabilities

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

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

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

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

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

Reconciliation of financial instruments on adoption of AASB 9

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

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

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

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

Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

4. New and revised standards issued but are not yet effective for these financial statements

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

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

AASB 16 *Leases*

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

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

The Group is in the process of making a detailed assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group currently plans to adopt AASB 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Other than discussed above, all other new standards or amendments to standards issued but not effective are not likely to have significant impact on the consolidated financial statements.

5. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

6. Segment Reporting

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

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

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

During the six (6) month period to 30 June 2018, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

6. Segment Reporting (Cont'd)

For the period ended 30 June 2018	Own-brand	Contract third-party	Total
	$	$	$
Revenue from external customers [(a)]	35,684,163	2,121,143	37,805,306
COGS for external sales	(27,012,420)	(1,863,817)	(28,876,237)
Segment Result	**8,671,743**	**257,326**	**8,929,069**
Reconciling items			
Finance costs	-	-	(6,161)
Depreciation and amortisation	-	-	(83,036)
Other expenses	-	-	(2,488,158)
Share of loss from associate	-	-	(263,970)
Profit before income tax	**8,671,743**	**257,326**	**6,087,744**

For the period ended 30 June 2017	Own-brand	Contract third-party	Total
	$	$	$
Revenue from external customers [(a)]	54,803,713	1,151,901	55,955,614
COGS for external sales	(38,421,567)	(841,956)	(39,263,523)
Segment Result	**16,382,146**	**309,945**	**16,692,091**
Reconciling items			
Finance costs	-	-	(15,442)
Depreciation and amortisation	-	-	(81,427)
Other expenses	-	-	(4,303,111)
Share of loss from associate	-	-	(171,317)
Profit before income tax	**16,382,146**	**309,945**	**12,120,794**

(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.

7. Earnings per share

Both the basic earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 30 June 2018:

	30 June 2018	30 June 2017
Profit used to calculate basic EPSs	$5,364,468	$8,997,447
Weighted average number of shares used in basic and diluted EPS	434,534,634	434,534,634

In accordance with AASB 133 *Earnings per Share*, as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account for period ending 30 June 2018 and 30 June 2017.

8. Cash and cash equivalents

	30 June 2018	31 December 2017
	$	$
Cash on hand	15,144	13,536
Cash at bank	54,639,936	32,069,180
Total	**54,655,080**	**32,082,716**

Cash at bank and on hand balances as at 30 June 2018 includes Chinese Renminbi dominated equivalent balances of $54.62 million (RMB267.81 million) (31 December 2017: $32.05 million (RMB: 162.78 million)) which are held with reputable financial institutions in the People's Republic of China in current bank accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi 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.

9. Property, plant and equipment

During the half-year ended 30 June 2018, the Group did not have any addition or disposal of property, plant and equipment.

10. Investment in an associate

Investment in Henan Yuanlong Industrial Co., Limited

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

During the period ended 30 June 2018, the Group recognised its share of the loss totalling $263,970 (June 2017: $171,317) as a result of equity accounting.

10. Investment in an associate (Cont'd)

	30 June 2018	31 December 2017
	$	$
Opening balance	13,674,567	14,287,086
Share of loss	(263,970)	(388,178)
Net exchange differences	491,329	(224,341)
Net carrying value	**13,901,926**	**13,674,567**

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

	30 June 2018	31 December 2017
	$	$
Total current assets	1,144,195	814,106
Total non-current assets (Note (a))	50,233,682	49,139,860
Total assets	**51,377,877**	**49,953,966**
Total current liabilities	546,363	260,653
Total non-current liabilities	-	-
Total liabilities	**546,363**	**260,653**
Net assets	**50,831,514**	**49,693,313**
Net profit/(loss) for the period	**(647,658)**	**(873,499)**
Group's share of net assets (Note (b))	**14,232,824**	**13,914,128**
Group's share of net profit/(loss) (Note (b))	**(181,344)**	**(244,580)**

Notes:

(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.

(b) The balances are before inter-company eliminations in relation to the rental arrangement between the associate and a subsidiary of the Group in the PRC.

11. Reserves

	30 June 2018	31 December 2017
	$	$
Statutory reserve	2,659,935	2,659,935
Foreign currency translation reserve	4,336,121	983,966
Total	**6,996,056**	**3,643,901**

Foreign Currency Translation Reserve

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

Statutory Reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches a minimal of 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.

12. Related party transactions

a) Transaction with related parties and key management personnel

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

	30 June 2018	30 June 2017
	$	$
Jinjiang XPD Import and Export Limited		
Sales made to the related party	2,234,852	1,482,199
Payment received from the related party	1,683,757	1,553,478
Zhang Jiameng (Director)		
Cash advanced by the related party for expenses	-	1,300,805
Reimbursement made to the related party	-	13,188
Zhang Jiada (Relative of Director) [(a)]		
Cash advanced by the related party for expenses	117,634	-
Reimbursement made to the related party	117,634	-
Henan Yuanlong Industrial Co., Limited		
Share of loss	263,970	171,317
Rental expense – recognised in profit and loss	295,091	558,897
Rental payment – included in operating cash flows	295,091	558,897

(a) Zhang Jiada is a relative to Zhang Jiameng and has advanced funds to support the parent entity's operations in Australia. The funds have been fully reimbursed to Zhang Jiada as of the reporting date.

12. Related party transactions (Cont'd)

b) Related party balances

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

30 June 2018	**Receivable from related party $**	**Payable to related party $**	**Investment in Associate $**
Jinjiang XPD Import and Export Limited	1,378,512	-	-
Zhang Jiameng (Director)	777,889	-	-
Henan Yuanlong Industrial Co., Limited	-	-	13,901,926
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)	-	3,936	-
Simon Lill (Director)	-	12,000	-
Neil Sheather (Director and joint company secretary)	-	12,000	-
Lifang Zhang (Company secretary)	-	6,000	-

31 December 2017	**Receivable from related party $**	**Payable to related party $**	**Investment in Associate $**
Jinjiang XPD Import and Export Limited	798,064	-	-
Zhang Jiameng (Director)	778,113	-	-
Henan Yuanlong Industrial Co., Limited	-	633,124	13,674,567
Benny Yabin (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	-

Related party balances comprise trade receivables arising from the normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.

13. Dividends

The Board does not recommend the payment of any dividend for the half year ended 30 June 2018.

14. Contingent liabilities

The Group had a contingent liability in relation to an ongoing legal matter. The Directors and Management consider that the exposure to the Group is limited 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.

15. Controlled entities

Details of subsidiaries controlled by the Company as at 30 June 2018 are as follows:

	Country of Incorporation	Percentage Owned (%)[1] 30 June 2018 %	31 December 2017 %
XPD Soccer Gear Group Limited	Australia		
Subsidiaries of XPD Soccer Gear Group Limited:			
China Soccer Holdings Co., Limited [2]	Hong Kong	100	100
Jinjiang Chaoda Shoes and Garment Co., Limited	People's Republic of China	100	100

(1) Percentage of voting power is in proportion to ownership;
(2) China Soccer Holdings Co., Limited is the intermediate parent entity of Jinjiang Chaoda Shoes and Garment Co., Limited.

16. Fair value measurement

The Group does not hold any financial assets or liabilities carried at fair value as at 30 June 2018 or 31 December 2017. All financial assets and liabilities are carried at amortised cost.

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

17. Events after the reporting date

After the reporting date, no material events have occurred which had a significant impact on the results of operations, financial position and net assets.

Directors' Declaration

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:

   i. Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
   ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Simon Lill
Chairman

Dated on 31 August 2018

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Independent Auditor's Review Report

To the Members of XPD Soccer Gear Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of XPD Soccer Gear Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the half year financial report of XPD Soccer Gear Group Limited does not give a true and fair view of the financial position of the Group as at 30 June 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Qualified Conclusion

As disclosed in Note 10 to the financial statements, the Group's investment in associate is accounted for under the equity method and has a total carrying value of $13,901,926. Management has determined that no impairment is required on the Group's investment in associate as the recoverable amount exceeds the net carrying value as at 30 June 2018. Based on the information available to us, we are unable to obtain sufficient appropriate review evidence as to the recoverable amount of the Group's investment in associate as at 30 June 2018. Consequently, we are unable to determine whether any adjustments in respect of the net carrying value of the Group's investment in associate as at 30 June 2018 are necessary.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group is subject to Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations in the People's Republic of China (PRC) which may result in cash holdings in the PRC not being freely convertible into foreign currencies. As stated in Note 2 and Note 8, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XPD Soccer Gear Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 31 August 2018