XPD Soccer Gear Group Limited
Appendix 4E
Preliminary Final Report

ABN 96 169 695 283

For the year ended 31 December 2018

1. Company Details

Name of entity:	XPD Soccer Gear Group Limited
ABN:	96 169 695 283
Reporting period:	For the year ended 31 December 2018
Previous period:	For the year ended 31 December 2017

2. Results for announcement to the market

Consolidated Group	Item		$'000	% Change		$'000
Revenue – excluding interest received	2.1	Down	25,931	22.5%	to	89,496
Profit after tax attributable to members	2.2	Up	1,236	14.5%	to	9,744
Net Profit attributable to members	2.3	Up	1,236	14.5%	to	9,744
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 *Commentary on Results* which accompanies this announcement.		

Overview

The principal activities of XPD Soccer Gear Group Limited and its controlled entities ("Group") during the financial year were designing, developing, manufacturing, distributing and marketing sportswear with a focus on soccer wear under the "XPD" brand. The Group currently operates in one geographical segment, being the People's Republic of China.

This financial report includes the consolidated financial statements and notes to the financial statements of the Consolidated Group. XPD Soccer Gear Group Limited was incorporated on 22 May 2014 and listed on the Australian Securities Exchange ('ASX') on 21 May 2015. The Company is incorporated and domiciled in Australia.

Overview of results

In FY2018, XPD sales decreased by 22.5% compared to FY2017 as a result of lower pricing and competition for sales in the soccer wear market in China. The gross profit margin was maintained at 26.1%.

Net profit after income tax increased by 14.5% to AUD $9.7 million for FY2018 from AUD $8.5 million in FY2017. Such increase in net profit during the period was primarily due to reduction in costs as a result of reduced sales and marketing expenses. The reduced marketing efforts are also partly responsible for the reduced sales, but the decision was made to maintain margins and profitability, which the Company has achieved.

The Board continues to discuss whether it is currently appropriate to pay a dividend.

Competition within the market is ongoing, but appears to have settled down with the Company maintaining its position in its third-tier market.

Financial Position

The net assets of the consolidated group increased by $14,461,727 from $93,475,344 at 31 December 2017 to $107,937,071 at 31 December 2018. Such increase is resulted mainly from the following factors:

- Profits after tax attributable to members of $9,743,535
- Exchange difference on translating foreign operations of $4,618,192
- Share capital increased through issuance of 3,333,333 ordinary shares ($100,000) to Mejority Capital Limited as share-based payment for assistance with the reinstatement of the Company on the ASX.

Significant Changes in the State of Affairs

Nil

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Please refer to the accompanying preliminary financial statements.

4. Consolidated Statement of Financial Position

Please refer to the accompanying preliminary financial statements.

5. Consolidated Statement of Cash Flow

Please refer to the accompanying preliminary financial statements.

6. Dividends Paid or Recommended

The Directors have resolved not to pay an unfranked final dividend.

7. Details of any Dividend or distribution reinvestment plans

Please see Point 2.4 above for recommended dividends. The Company does not have any distribution reinvestment plans.

8. Statement of movements in Retained Earnings

Please refer to the accompanying statements of changes in equity.

9. Net tangible assets per security

	31 December 2018	31 December 2017
Number of securities	437,867,967	434,534,634
Net tangible assets per security in cents	24.31	21.05

10. Changes in controlled entities

There have been no changes in controlled entities during the year.

11. Details of associates and joint venture entities

The Group invested in Henan Yuanlong Industrial Co., Ltd ("HYI") located in Henan Province, China and represents 28% of share interest in HYI.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer *Commentary on Results* which accompanies this announcement.

13. Foreign entities disclosures

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

14. Additional information

Earnings per Share on continuing operations	31 December 2018	31 December 2017
Basic earnings per share in cents	2.23	1.96
Diluted earnings per share in cents	2.23	1.96

After Balance Date Events

No matters or circumstances has arisen that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

15. Compliance Statement

The financial statements are in the process of being audited.

Signed in accordance with a resolution of the Board of Directors of XPD Soccer Gear Group Limited:

Simon Lill
Chairman
Dated this 28th of February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 $	2017 $
Sales revenue	4	89,495,601	115,426,565
Cost of sales		(66,153,639)	(84,894,862)
Gross profit		**23,341,962**	**30,531,703**
Other revenues	4	613,901	154,804
Sales and marketing expenses	5	(5,227,382)	(12,310,806)
Administration expenses	5	(4,352,321)	(4,257,237)
Research and development		(838,165)	(743,383)
Finance costs		(13,123)	(27,058)
Share-based payments expense		(100,000)	-
Share of loss from associate accounted for using equity method	12	(611,032)	(388,178)
Profit before income tax		**12,813,840**	**12,959,845**
Income tax expense	6	(3,070,305)	(4,452,004)
Profit for the year attributable to members of the parent		**9,743,535**	**8,507,841**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		4,618,192	(124,462)
Total comprehensive income for the year attributable to members of the parent		**14,361,727**	**8,383,379**
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)	3	2.23	1.96
Diluted earnings per share (cents per share)	3	2.23	1.96

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	7	49,544,322	32,082,716
Trade and other receivables	8	43,140,858	46,374,729
Inventories	9	2,534,442	7,185,841
Total current assets		**95,219,622**	**85,643,286**
Non-current assets			
Property, plant and equipment	10	6,719,828	7,047,079
Land use rights	11	604,170	589,779
Investment in associate	12	13,695,908	13,674,567
Deferred tax assets		901,812	1,400,862
Total non-current assets		**21,921,718**	**22,712,287**
Total assets		**117,141,340**	**108,355,573**
Current liabilities			
Trade and other payables	13	8,713,481	13,633,550
Short-term borrowing		-	393,734
Current income tax liabilities		490,788	852,945
Total current liabilities		**9,204,269**	**14,880,229**
Total liabilities		**9,204,269**	**14,880,229**
Net assets		**107,937,071**	**93,475,344**
Equity			
Issued capital	14	23,845,343	23,745,343
Reserves	16	8,262,093	3,643,901
Retained earnings		75,829,635	66,086,100
Total equity		**107,937,071**	**93,475,344**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Issued Capital	Retained Earnings	Foreign Exchange Reserve	Statutory Reserves	Total
		$	$	$	$	$
Balance at 1 January 2017		**23,745,343**	**57,578,259**	**1,108,428**	**2,659,935**	**85,091,965**
Profit after income tax expense for the year		-	8,507,841	-	-	8,507,841
Other comprehensive income		-	-	(124,462)	-	(124,462)
Total comprehensive income for the year		**-**	**8,507,841**	**(124,462)**	**-**	**8,383,379**
Transactions with owners in their capacity as owners						
Issuance of share capital	14	-	-	-	-	-
Dividends to shareholders	15	-	-	-	-	-
Balance at 31 December 2017		**23,745,343**	**66,086,100**	**983,966**	**2,659,935**	**93,475,344**
Balance at 1 January 2018		**23,745,343**	**66,086,100**	**983,966**	**2,659,935**	**93,475,344**
Profit after income tax expense for the year		-	9,743,535	-	-	9,743,535
Other comprehensive income		-	-	4,618,192	-	4,618,192
Total comprehensive income for the year		**-**	**9,743,535**	**4,618,192**	**-**	**14,361,727**
Transactions with owners in their capacity as owners						
Recognition of share-based payments	14	100,000	-	-	-	100,000
Dividends to shareholders	15	-	-	-	-	-
Balance at 31 December 2018		**23,845,343**	**75,829,635**	**5,602,158**	**2,659,935**	**107,937,071**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers		110,567,449	127,005,678
Payments to suppliers and employees		(89,130,001)	(131,725,197)
Interest received		142,532	154,804
Finance costs paid		(13,123)	(27,058)
Income tax paid		(3,472,586)	(5,436,939)
Net cash provided by operating activities	18	**18,094,271**	**(10,028,712)**
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		-	(1,566,965)
Net cash (used in) investing activities		**-**	**(1,566,965)**
Cash flows from financing activities			
Repayment of short-term borrowing		(412,256)	(951,993)
Dividend paid		-	-
Cash (paid) / received (to) / from related parties		(1,956,318)	671,983
Proceeds from shares issued		-	-
Proceeds from short-term borrowing		-	386,204
Net cash (used in) financing activities		**(2,368,574)**	**106,194**
Net change in cash and cash equivalents held		15,725,697	(11,489,483)
Cash and cash equivalents at beginning of financial year		32,082,716	43,061,705
Effect of exchange rates on cash holdings in foreign currencies		1,735,909	510,494
Cash and cash equivalents at end of financial year	7	**49,544,322**	**32,082,716**

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

Notes to the Consolidated Financial Statements

1 Basis of preparation and significant accounting policies

These preliminary consolidated financial statements of XPD Soccer Gear Group Limited and its controlled entities (the "Group") for the year ended 31 December 2018 have been prepared based on the requirements of rule 4.3A of the ASX listing rules (Appendix 4E).

The preliminary consolidated financial statements of the Group 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 period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

1.1 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 in time when a customer obtains control of the goods. The Group has concluded that the initial application of AASB 15 does not have an 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.

1 Basis of preparation and significant accounting policies (continued)

1.2 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.

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

Based on the assessment by the Group, there is no 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, the Group classifies its receivables as financial assets at amortised cost upon initial recognition.

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.

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.

1 Basis of preparation and significant accounting policies (continued)

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.

1 Basis of preparation and significant accounting policies (continued)

Reconciliation of financial instruments on adoption of AASB 9

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

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

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

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

2 Segment reporting

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

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

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

During the year to 31 December 2018, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

For the year ended 31 December 2018	**Own-brand** **$**	**Contract third-party** **$**	**Total** **$**
Revenue from external customers[a]	84,767,298	4,728,303	89,495,601
COGS for external sales	(62,201,789)	(3,951,850)	(66,153,639)
Segment Result	**22,565,509**	**776,453**	**23,341,962**
Reconciling items			
Finance costs	-	-	(13,123)
Depreciation and amortisation	-	-	(660,328)
Other expenses	-	-	(9,243,639)
Share of loss from associate	-	-	(611,032)
Profit/(loss) before income tax	**22,595,509**	**776,453**	**12,813,840**

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

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

3 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the year to 31 December 2018:

	2018	2017
Profit used to calculate basic EPS	$9,743,535	$8,507,841
Weighted average number of shares used in basic and diluted EPS (numbers)	437,867,967	434,534,634

There are no dilutive securities on issue.

4 Revenue

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

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

5 Expenses

5.1 Sales and marketing expenses

	2018	2017
	$	**$**
Advertising, promotion, exhibition and sponsorship	3,526,438	4,559,822
Salary expenses	639,539	567,313
Transportation expense	131,784	134,123
Store renovation expenses[(a)]	-	6,758,570
Other sales and marketing expenses	929,621	290,978
Total sales and marketing expenses	**5,227,382**	**12,310,806**

(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.

5 Expenses (continued)

5.2 Administration expenses

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

5.3 Depreciation and amortisation expenses

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

5.4 Salary and employee expenses

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

6 Income Tax Expense

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

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

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

7 Cash and Cash Equivalents

Cash and cash equivalents include the following components:

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

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

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

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

8 Trade and other receivables

Trade and other receivables consist of the following:

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

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

9 Inventories

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

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

10 Property, plant and equipment

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

11 Land use rights

	2018	2017
	$	$
At Cost	711,957	679,970
Accumulated Amortisation	(107,787)	(90,191)
Total Land Use Rights	**604,170**	**589,779**

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)

12 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 2018, 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 $611,032 (2017: $388,178) as a result of the equity accounting. The loss generated by HYI was a result of the manufacturing park not fully occupied at year end.

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

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

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

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

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

13 Trade and other payables

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

14 Issued capital

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

(1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
(2) On 25 October 2018, XPD Soccer Gear Group Limited issued 3,333,333 ordinary shares at $0.03 per share to Mejority Capital Limited for a share-based payment for assisting with the reinstatement of the Company on the ASX.

15 Dividends

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

16 Reserves

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

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

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

17 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

18 Cash flow information

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

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

19 Controlled entities

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

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

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

20 Non-controlling interest

No subsidiaries have a non-controlling interest.