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Pro forma Statement of Financial Position as at 31 December 2014 – (“Pro forma”)

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Section 1 - Financial Information

1 FINANCIAL INFORMATION

1.1 Overview

XPD Soccer Gear Group Limited ("XPD") was registered in Australia on 22 May 2014 and has not traded. Investors should note that the Group's financial year ends on 31 December.

Financial information for the period from registration to 31 December 2014 has been reviewed as part of the pro forma Historical Financial Information as set out in Section 1.3.

(1) Pro Forma Historical Financial Information

The pro forma Historical Financial Information comprises the following:

- Pro Forma Consolidated Historical Statement of Financial Position of XPD as at 31 December 2014 as set out in section 1.3, including the Financial Information of China Soccer Holding Co., Limited ("China Soccer") as at 31 December 2014 which assumes the pro forma transactions set out in Note 2 of section 1.3 had occurred on 31 December 2014; and
- Pro Forma Consolidated Historical Statement of Changes in Equity of XPD for year ended 31 December 2014 as set out in section 1.3 including the Financial Information of Chaoda as at 31 December 2014 which assumes the pro forma transactions set out in Note 2 of section 1.3 had occurred at 31 December 2014.

The Pro Forma transactions have been included in the Proforma consolidated statement of financial position as at 31 December 2014 to provide potential shareholders with a view of the Group's financial position.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS") and the Corporations Act. In the view of the Directors of XPD, the omitted disclosures would provide no further relevant information.

The Financial Information should be read in conjunction with information contained in the Prospectus and Supplementary Prospectus lodged by the Company with ASIC.

The reader should note the scope and limitations of the Investigating Accountant's Report.

1.2 Basis of Preparation of the Financial Information

(1) Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information of XPD has been compiled from the reviewed financial information of XPD and the Financial Information of China Soccer for the year ending 31 December 2014.

The financial statements of China Soccer were reviewed in accordance with Australian Accounting Standards. Grant Thornton Audit Pty Ltd has not provided an audit report on Chaoda's financial statements in the context of complying with the relevant accounting, statutory and regulatory requirements in China and Hong Kong.

The financial statements of China Soccer for the year ending 31 December 2014 are converted into XPD's presentation currency, Australian Dollars for the purposes of inclusion of financial information for this Appendix as opposed to the financial statements of China Soccer which are presented in Chinese Renminbi.

Foreign Currency Translation

In accordance with the requirements of Australian Accounting Standards, XPD has adopted the foreign currency translation accounting policy set out in section 1.3 in which assets and liabilities of the Company and its controlled entities are translated at exchange rates in effect at reporting date. Revenue and expenses are translated at the exchange rates in effect at the date of the transaction. Exchange differences arising are recognised directly to the Group's foreign currency translation reserve in the Statement of Financial Position.

1.3 Pro Forma Financial Information

XPD Soccer Gear Group Limited
ACN 169 695 283

STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Reviewed XPD ⁽¹⁾ \$'000	Reviewed 31 December 2014 China Soccer ⁽²⁾ \$'000	Reviewed Pro Forma Actual Subscriptions \$'000
CURRENT ASSETS				
Cash and cash equivalents		-	12,635	21,994
Trade and other receivables	4	-	16,030	16,030
Inventory	5	-	5,994	5,994
Prepayments	6	-	567	567
TOTAL CURRENT ASSETS		-	35,226	44,585
NON CURRENT ASSETS				
Property, plant and equipment	7	-	7,254	7,254
Land-use rights	8	-	593	593
Investment	9	-	14,915	14,915
TOTAL NON CURRENT ASSETS		-	22,762	22,762
TOTAL ASSETS		-	57,988	67,347
CURRENT LIABILITIES				
Trade and other payables	10	-	3,296	3,296
Notes payable	11	-	5,011	5,011
Financial liabilities	12	-	7,222	7,222
Current tax liabilities	13	-	1,877	1,877
TOTAL CURRENT LIABILITIES		-	17,406	17,406
TOTAL LIABILITIES		-	17,406	17,406
NET ASSETS		-	40,582	49,941
SHAREHOLDERS EQUITY				
Issued capital	14	-	2,318 ⁽³⁾	12,711
Foreign currency translation reserve	15	-	4,831	4,831
Reserves	15	-	1,496	1,496
Retained earnings		-	31,937	30,874
Share options reserve	16	-	-	29
TOTAL SHAREHOLDERS EQUITY		-	40,582	49,941

(1) XPD was registered on the 22 May 2014 with 10 shares. Amount of capital paid was AUD\$2.00.

(2) Reviewed China Soccer financial information has been extracted from the audited financial statements of China Soccer for the year ended 31 December 2014 for the purposes of the preparation of the pro forma consolidated statement of financial position.

(3) Amount of capital paid was RMB15,008,000. RMB14,983,000 has been translated from RMB to AUD\$ at an exchange rate 1 RMB: AUD\$0.1544. RMB25,000 has been translated from RMB to AUD\$ at an exchange rate 1 RMB: AUD\$0.1994.

The above statement of financial position and consolidated pro forma statement of financial position should be read in conjunction with the accompanying notes

**REVIEWED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM REGISTRATION TO 31 DECEMBER 2014**

	Reviewed \$
Operating activities	
Receipts from customers	-
Payments to suppliers	-
Interest received	-
	<hr/>
Cash inflows/(outflows) from operating activities	<hr/> -
Investing activities	
Payments for property, plant and equipment	-
	<hr/>
Cash inflows/(outflows) from investing activities	<hr/> -
Financing activities	
Proceeds from share issues	2
Payments for capital raising costs	-
	<hr/>
Cash inflows/(outflows) from financing activities	<hr/> 2
Net increase/(decrease) in cash	<hr/> 2
Cash at registration	-
	<hr/>
Cash at period end	<hr/> 2

The above statement of cash flows should be read in conjunction
with the accompanying notes

**REVIEWED STATEMENT OF CHANGES IN EQUITY AND CONSOLIDATED PRO FORMA STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM REGISTRATION TO 31 DECEMBER 2014**

	Issued Capital	Foreign currency translation reserve	Consolidated Entity Reserves	Retained Earnings	Share options reserve
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at registration	-	-	-	-	-
Shares issued on incorporation – 10 ordinary shares ⁽¹⁾	-	-	-	-	-
Balance at 31 December 2014 (Reviewed)	-	-	-	-	-
Pro forma transactions					
Issue of 965 ordinary shares in China Soccer pursuant to a Share Subscription Agreement – Refer Note 2	4,935	-	-	-	-
Expenses associated with the Share Subscription Agreement – Refer Note 2	(782)				
Amounts recognised as a consequence of a common control transaction – Refer Note 3	2,318	4,831	1,496	31,937	-
Issue of 33,075,500 Offer Shares in the Company – Actual Subscriptions – Refer Note 2	6,615	-	-	-	-
Expenses of the offer– Refer Note 2	(536)	-	-	(873)	-
Deferred tax assets associated with capital raising costs not recognised	161	-	-	(161)	-
Fair value of 358,713 Options to Lead Manager on successful IPO pursuant to an Equity Capital Markets Mandate dated 25 August 2014	-	-	-	(29)	29
Pro forma balance - Actual Subscriptions	12,711	4,831	1,496	30,874	29

(1) XPD was registered on the 22 May 2014 with 10 shares. Amount of capital paid was AUD\$2.00.

The above statement of changes in equity and consolidated pro forma statement of changes in equity should be read in conjunction with the accompanying notes

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014**

Note 1 - Statement of Significant Accounting Policies

The consolidated Financial Information has been prepared in accordance with Australian Accounting Standards.

Accounting Policies

(a) New Accounting Standards and Interpretations

Certain new accounting standards and IFRIC interpretations have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro forma financial information.

(b) Principles of Consolidation

A controlled entity is any entity that XPD controls. The consolidated entity controls an entity when it is exposed to, or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of that entity.

As at a reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

Common control transactions are transactions in which the shareholders of the Group are the same party or parties before and after the transaction.

The share transfer agreements detailed above represent a common control acquisition transaction. XPD has elected to account for these transactions using the predecessor values method. The method requires financial statements to be prepared using predecessor book values. Predecessor book values represent the carrying amount of net assets before the common control transaction.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Registration

The Company was registered on 22 May 2014.

(e) Foreign currency translation

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The presentational currency and the functional currency of its main operating subsidiary, Jinjiang Chaoda Shoes and Garment Co., Limited is Chinese Renminbi, and the consolidated financial statements are presented in Australian Dollars, the presentational and functional currency of XPD.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction(s). Foreign exchange gains and losses resulting from the settlement of such transaction(s) and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) *Group entities*

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

- assets and liabilities are translated at year end exchange rates;
- income and expenses are translated at average rates for the period; and
- retained earnings are translated at historical rates.

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Statement of Financial Position.

(f) Revenue Recognition

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

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

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease.

(i) **Business Combination – Common control transactions**

Common control acquisitions, where the cost of the business combination is deemed to have been incurred by the legal subsidiary (ie the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (ie the acquiree for accounting purposes), are accounted for using AASB 3 Business Combinations. The method calculates the fair value of the instruments issued by the legal parent on the basis of the fair value of existing instruments in the legal subsidiary.

The Group has elected to account for these transactions using the predecessor values method.

(j) **Impairment of 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.

(k) **Cash and Cash Equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) **Trade and Other Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(m) **Financial Instruments:**

(i) *Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(ii) *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.

(iii) *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(iv) *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.

(v) *Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(n) **Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) *Plant and Equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(ii) *Amortisation and depreciation*

The depreciable amount of all fixed assets including buildings is depreciated on a straight-line basis over the asset's useful life to the combined group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Office equipment	20%
Manufacturing equipment	10%
Motor vehicles	20%
Buildings	5%

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

(o) **Provisions**

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

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

(p) **Employee Benefits**

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

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

(q) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Chinese VAT / Australian 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 tax 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 / GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Land-use Rights

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 their estimated useful lives, which is 50 years.

The carrying amount of land-use rights is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(t) Finance Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

(u) 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.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

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 expenses (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.

(v) **Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below.

Significant judgments — Impairment of non-financial assets

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

Exchange Rates

The following exchange rates used in the preparation of the financial information section is as follows:

RMB:AUD		
	Average	Spot
FY2011	0.1497	0.1544
FY2012	0.1528	0.1526
FY2013	0.1673	0.1843
FY2014	0.1806	0.1994
USD:AUD		
9 January 2015		1.2338

Note 2 - Basis of Preparation of the Consolidated Pro Forma Statement of Financial Position

The consolidated pro forma Statement of Financial Position has been prepared from the Audited Statement of Financial Position of Chaoda adjusted for the following transactions as if they had taken place on 31 December 2014:

(a) Issue of shares in China Soccer

- Pursuant to a Share Subscription Agreement dated 29 December 2014, 965 ordinary shares were issued in China Soccer at an issue price of USD\$4,145.08 per share for total consideration of USD\$4 million (AUD\$4,935,000).
- Associated share issue costs are estimated to be \$782,000 and have been directly off-set against the share capital raised.

(b) Group restructure agreements subsequent to 31 December 2014:

- Pursuant to a Share Sale Agreement dated 16 February 2015 the Company has issued 349,999,990 Ordinary Shares to the existing shareholders of China Soccer Holdings Co., Limited as purchase consideration for 100% of the share capital of that entity. This transaction is one referred to as a common control acquisition transaction. Details of the transactions are set out in Note 3.

(c) Actual Subscriptions

- The issue of 33,075,500 Offer Shares at an issue price of \$0.20 per share to raise \$6,615,100, less associated capital raising costs estimated to be \$1,409,000. \$536,000 has been directly off-set against raised capital (\$375,000 net of tax), and \$873,000 has been expensed in accordance with Australian Accounting Standards.

(d) Issue of Options to Lead Manager

- Pursuant to an Equity Capital Markets Mandate dated 25 August 2015, as a Capital Raising Success Fee, the Company will issue in consideration for a successful IPO on the ASX, options to the Lead Manager to acquire 2.5% of the IPO issued capital of XPD raised by the Lead Manager exercisable at a 25% premium to the IPO issue price with a 3 year term.
- Based on actual subscription raised by the Lead Manager, 358,713 options will be issued to the Lead Manager.
- Refer to Note 16 for further details.

Note 3 – Business Combination – Common control transactions

The pro forma statement of financial position has been prepared on the basis that XPD has acquired China Soccer's assets and liabilities as noted below.

The pro forma statement of financial position has then been adjusted to reflect transactions in the agreements as discussed in Note 2.

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

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

The following has been extracted from the audited financial information of China Soccer as at 31 December 2014, converted from Chinese Renminbi to Australian Dollars using an exchange rate outlined in Note 1.

31 December 2014
\$'000

The assets and liabilities of China Soccer as at 31 December 2014 were:

Cash and cash equivalents	12,635
Trade and other receivables	16,030
Inventory	5,994
Prepayments	567
Property, plant and equipment	7,254
Land-use rights	593
Investment	14,915
Trade and other payables	(3,296)
Notes payable	(5,011)
Financial liabilities	(7,222)
Current tax liabilities	(1,877)
	<hr/>
Total net assets acquired	40,582
	<hr/>
Accounted for as:	
Issued capital*	2,318
Foreign currency translation reserve	4,831
Reserves	1,496
Retained earnings	31,937
	<hr/>
	40,582
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* Amount of capital paid was RMB15,008,000. RMB14,983,000 has been translated from RMB to AUD\$ at an exchange rate 1 RMB: AUD\$0.1544. RMB25,000 has been translated from RMB to AUD\$ at an exchange rate 1 RMB: AUD\$0.1994.

Note 4 – Trade and other receivables

	Reviewed	Pro Forma Actual
	\$'000	Subscriptions
	\$'000	\$'000
Trade receivables ⁽¹⁾	-	15,964
Other receivables	-	66
Total trade and other receivables	<hr/> -	<hr/> 16,030

⁽¹⁾ Included in trade receivables include a balance to related party, Jinjiang XPD Import and Export Limited, amounting to \$998,000.

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 company does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

The average credit period on sales of goods is 90 days. Extended credit terms may be provided through negotiation with customers. An analysis of the top 10 customers over the historical period shows concentration of sales to key and large customers with 54% and 54% in the financial years ending 2013 and 2014 respectively. No interest is charged on the trade receivables.

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

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

	\$'000
90-180 days	40
Total	<u>40</u>

Note 5 – Inventory

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Raw material	-	1,575
Finished good	-	1,044
Work in progress	-	3,375
Net inventory	<u>-</u>	<u>5,994</u>

Inventory includes raw materials used in the manufacturing of sport shoes and soccer related products, work in progress at reporting date and finished good products. Inventory has been determined to be valued at the lower of cost and net realisable value at reporting date.

Note 6 – Prepayments

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Prepayments	-	567
Total	<u>-</u>	<u>567</u>

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

Note 7 – Property, Plant and Equipment

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Machinery and Office Equipment	-	1,849
Less accumulated depreciation	-	(762)
	<u>-</u>	<u>1,087</u>
Buildings	-	8,267
Less accumulated depreciation	-	(2,126)
	<u>-</u>	<u>6,141</u>
Motor Vehicles	-	56
Less accumulated depreciation	-	(32)
	<u>-</u>	<u>24</u>
Accounting Software	-	6
Less accumulated depreciation	-	(4)
	<u>-</u>	<u>2</u>
Total property, plant and equipment	<u>-</u>	<u>7,254</u>

Note 8 – Land-use Rights

	Reviewed	Pro Forma Actual Subscriptions
	\$'000	\$'000
Cost	-	646
Accumulated amortisation	-	(53)
Net land-use rights	-	593

Note 9 – Investment

	Reviewed	Pro Forma Actual Subscriptions
	\$'000	\$'000
Investment in Henan Yuanlong Limited ('Henan Yuanlong')	-	14,915
Total	-	14,915

Investment balances represents investment by the Company and other business partners during 2013 located in Henan Province, China.

The investment fund is recorded at its original cost which represents 26% of share interest in Henan Yuanlong and fund advances to the group for land acquisition and initial construction purposes. On the basis of the percentage of interest in Henan Yuanlong held by the Company, the investee was assessed to not be controlled by the Company yet elements of a significant influence are present. As a result the investment is recognised as an investment in associate and equity accounting of Chaoda's share of profit and loss will be accounted for once the investee starts to operate.

Note 10 – Trade and Other Payables

	Reviewed	Pro Forma Actual Subscriptions
	\$'000	\$'000
Trade payables	-	1,712
Other tax payable	-	901
Salary payable	-	493
Other payables	-	190
Total trade and other payables	-	3,296

Note 11 – Notes Payable

	Reviewed	Pro Forma Actual Subscriptions
	\$'000	\$'000
Notes payable	-	5,011
Total notes payable	-	5,011

Notes payable represent short-term liability obligations through financial institutions in the PRC with maturity dates within 12 months. The notes payable are guaranteed by interest bearing short-term bank deposit amounting to RMB 15,192,000 (\$3,029,285).

Note 12 – Financial Liabilities

	Reviewed	Pro Forma Actual Subscriptions
	\$'000	\$'000
Short-term borrowings	-	7,222
Total financial liabilities	-	7,222

Short-term borrowings represent borrowings with financial institutions in the PRC with maturity dates within 12 months.

Note 13 – Current tax liabilities

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Income tax payable	-	1,877
Total current tax liabilities	-	1,877

Income tax payable represents current income tax obligations to the Chinese taxation authorities at 31 December 2014.

Note 14 – Issued Capital

	Number of shares issued	\$'000
Shares on issue at 31 December 2014 – 10 ordinary share⁽¹⁾	10	-
Pro forma transactions		
- Issue of 965 Ordinary Shares in China Soccer – pre-acquisition	-	4,935
- Issue of 349,999,990 Ordinary Shares for the acquisition of China Soccer	349,999,990	2,318
- Issue of 33,075,500 Shares in the Company based on actual subscription	33,075,500	6,615
Less share issue and capital raising costs (net of tax effect)	-	(1,157)
Pro forma issued capital - Actual Subscriptions	383,075,500	12,711

(1) XPD was registered on the 22 May 2014 with 10 shares. Amount of capital paid was AUD\$2.00.

Note 15 – Reserves

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Foreign currency translation reserve	-	4,831
Statutory reserve	-	1,496
Total reserves	-	6,327

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 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 translation reserve

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

Note 16 – Share options reserve

	Reviewed \$'000	Pro Forma Actual Subscriptions \$'000
Share options reserve	-	29
Total share options reserve	-	29

Pursuant to an Equity Capital Markets Mandate dated 25 August 2014 in consideration as consideration for a successful IPO on the ASX, the Company will issue options to the Lead Manager to acquire 2.5% of the IPO issued capital of XPD raised by the Lead Manager exercisable at a 25% premium to the IPO issue price with a 3 year term.

Based on actual subscription, 358,713 options will be issued to the Lead Manager.

The value of options has been calculated using the Black-Scholes options pricing model based on the following assumptions: exercise price of \$0.25, stock price of \$0.20 (IPO share price), 1095 days (3 year duration), volatility of 68% and a risk free rate of 2.28%.

Note 17 – Controlled Entities

The pro forma financial statements incorporate assets, liabilities, results and equity of the following entities in accordance with Note 2 - Pro Forma Transactions, Note 3 - Business Combination and Note 1(b) Principles of Consolidation.

Name of Entity	Registration date	Country of incorporation	Pro-forma equity holding
Ultimate Holdings Company			
XPD Soccer Gear Group Limited	22 May 2014	Australia	
Subsidiaries of XPD Soccer Gear Group Limited			
China Soccer Holdings Co., Limited	10 November 2014	Hong Kong	100%
Subsidiary of China Soccer Holdings Co., Limited			
Jinjiang Chaoda Shoes and Garment Co., Limited	22 July 1992	People's Republic of China	100%

Note 17 – Commitments

As at 31 December 2014, the Group is not aware of any commitments that should be disclosed.

Note 18 – Contingent Assets and Liabilities

Contingent liabilities represent items that, at 31 December 2014 and to the date of authorisation, are not recognised in the Statement of Financial Position because there is significant uncertainty at that date as to the necessity for the entity to receive or make payments in respect of them.

Following are details of significant contingent liabilities:

Description	USD
Payment required for share buyback to ACA Partners	4,000,000

According to the Share Subscription Agreement, interest of 6% per annum on the subscription price (USD\$4 million) will be charged from the date subscription shares were allotted and issued to the subscriber to the date of share buyback request. The share buyback payment is contingent on the failure to complete the listing on the ASX by 30 June 2015 and request from the ACA Partners.

As at 31 December 2014, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

Note 19 – Subsequent Events

The Directors of XPD are aware of no subsequent events, other than those noted above and the pro forma transactions set out in Note 2 of Section 1.3.

Section 2 - Investigating Accountant's Report

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Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT ON THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Introduction

We have prepared this Investigating Accountant's Report at the request of the Directors of XPD Soccer Gear Group Limited ("XPD" or the "Company") for inclusion in a Pro forma Statement of Financial Position as at 31 December 2014 ("Pro forma") to be dated on or about 18 May 2015, to be issued by XPD, in conjunction with the initial public offering on the Australian Securities Exchange Ltd.

Expressions defined in the Pro forma have the same meaning in this report, unless otherwise specified.

Scope

Grant Thornton Audit Pty Ltd ("Grant Thornton Audit") has been requested to prepare this report on the following financial information:

Historical Financial Information

The Historical Financial Information, as set out in **Section 1.3** of the Pro forma comprises:

- XPD's historical consolidated statement of financial position as at 31 December 2014.

(hereafter, 'Historical Financial Information').

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The historical financial information for the year ended 31 December 2014 has been extracted from the audited financial statements of China Soccer Holding Co., Limited (“China Soccer”) for the year ended 31 December 2014, upon which Grant Thornton Audit issued an unqualified audit report for the year ended 31 December 2014.

Pro forma Financial Information

The Pro forma Financial Information as set out in **Section 1** of the Pro forma comprises the pro forma consolidated statement of financial position at 31 December 2014 and includes the Pro forma Adjustments (“Pro forma Adjustments”) as at that date as disclosed in Note 2 and Note 3 of **Section 1.3**.

(hereafter, the ‘Pro forma Financial Information’ and collectively the ‘Financial Information’).

This report has been prepared for lodgement with ASIC of the Pro forma financial information. Grant Thornton Audit disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Pro forma and information contained in the Prospectus and Supplementary Prospectus lodged by the Company with ASIC.

Directors Responsibility for the Historical and Pro Forma Financial Information

The Directors have prepared and are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro forma Adjustments as set out in **Section 1.3** of the Pro forma.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the directors determine necessary to enable the preparation of the Pro Forma Historical Financial Information that is free from material misstatement.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian equivalents to International Financial Reporting Standards and other mandatory professional reporting requirements.

Our Responsibility

Our responsibility is to express a conclusion on the Historical and Pro forma Financial Information based on our review. We have conducted an independent review of the Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a The Historical Financial Information does not present fairly the consolidated statement of financial position in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards;

- b The Pro forma Adjustments do not provide a reasonable basis for the Pro Forma Financial Information;
- c The Pro forma Financial Information has not been prepared on the basis of the assumptions set out in **Section 1** of the Pro forma; and
- d The Pro forma Financial Information does not present fairly the pro forma consolidated statement of financial position at 31 December 2014 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia as if the Pro forma Adjustments set out in **Section 1.3** of the Pro forma had occurred at 31 December 2014.

Our independent review of the Pro forma has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consist of reading relevant Board minutes, reading of relevant contracts and other legal documents, inquiries of management personnel and the Directors and analytical and other procedures applied to XPD's accounting records in support of the Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Subsequent events

Since 31 December 2014 and to the date of the Report, the Company has:

- entered into a Share Subscription Agreement dated 29 December 2014 to issue 965 ordinary shares in China Soccer for total consideration of USD\$4 million;
- entered into a Share Transfer Agreement date 16 February 2015 to issue 349,999,990 Offer Shares to the existing shareholders of China Soccer as purchase consideration for 100% of the shares in China Soccer;
- incurred costs associated with the production of the Pro forma and managing of the Company's assets.

These transactions have been included in the pro forma financial information as adjustments as outlined in **Section 1.3** of the Pro forma.

Apart from the matters dealt with in this report and having regard to the scope of our review, to the best of our knowledge and belief, no additional material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

Conclusion Statements

Review Conclusion on the Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a The Historical Financial Information does not present fairly the consolidated statement of financial position at 31 December 2014 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia;
- b The Pro forma Adjustments do not provide a reasonable basis for the Pro Forma Financial Information;
- c The Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in **Section 1.3** of the Pro forma; and
- d The Pro forma Financial Information does not present fairly the pro forma consolidated statement of financial position at 31 December 2014 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia as if the Pro forma Adjustments set out in **Section 1.3** of the Pro forma had occurred at 31 December 2014.

Restriction on Use

Without modifying our conclusions, we draw attention to **Section 1.1** of the Pro forma, which describes the purpose of the Financial Information, being for inclusion in the Pro forma. As a result, the Financial Information may not be suitable for use for another purpose.

Liability

The liability of Grant Thornton Audit is limited to the inclusion of this report in the Pro forma. Grant Thornton Audit makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Pro forma.

Independence and Disclosure of Interest

Grant Thornton Audit does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Audit will receive a professional fee for the preparation of this report.

Yours faithfully
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S.J. Gray
Partner – Audit & Assurance