

Name of Entity
XPD Soccer Gear Group
Limited

ABN
96 169 695 283

Reporting Period **Half Year ended 30 June 2016**

Previous Corresponding Period Half Year ended 30 June 2015

The following information is given to ASX under listing rule 4.2A.3.

1 The Reporting period is the half year ended 30 June 2016 including comparative information for the half year ended 30 June 2015.

2 Results for announcement to the market

				Change	30 June 2016	30 June 2015
		%	\$		\$	\$
2.1	The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.	up by 20%	9,507,618	to	56,063,947	from 46,556,329
2.2	The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.	down by 35%	2,530,252	to	4,689,845	from 7,220,097
2.3	The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.	down by 35%	2,530,252	to	4,689,845	from 7,220,097
2.4	The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.				\$0.01 per share (unfranked)	nil
2.5	The record date for determining entitlements to the dividends (if any).				13 May 2016	

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

During the first half of 2016, sales experienced 20% growth over the corresponding period last year to \$56.1m. Gross profit increased 18% to \$18.4m, with margins remaining steady at around 33%. Reported NPAT decreased 35% to \$4.7m. The 2016 half year profit was largely impacted by the expensing of \$5.9m in retail display refurbishment costs incurred in relation to 600 retail outlets.

- 3 Net tangible assets per security with the comparative figure for the previous corresponding period.

Net tangible assets per security in cents

30 June 2016 Cents per share	30 June 2015 Cents per share
17.34	15.95

- 4 Details of entities over which control has been gained or lost during the period, including the following.

N/A

- 4.1 Name of the entity.

N/A

- 4.2 The date of the gain/loss of control.

N/A

- 4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

N/A

- 5 Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.

During the first half of 2016, the Group paid a CFI dividend of \$3,834,088 to its equity shareholders (June 2015: nil). This represents a payment of \$0.01 per share (June 2015: nil) with a record date of 13 May 2016 and paid on 30 May 2016.

- 6 Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

XPD has established a Dividend Reinvestment Plan, details of which are available on XPD's website www.xpdsoccer.com.au and the Company's ASX announcement dated 26 April 2016.

During the period, 16,125,801 shares were issued under the Dividend Reinvestment Plan (DRP) which allows eligible shareholders to reinvest dividends and acquire additional shareholdings at a discounted market price (5% discount on average market price).

- 7 Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

The Group has 28% of share interest in Henan Yuanlong Industrial Co., Ltd – Net loss for the period \$397,904 (Jun15: nil).

- 8 For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

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 non-Australia entities within the Group to ensure compliance with Australian Accounting Standards and International Financial Reporting Standards.

- 9 For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

N/A

Dated this 31st day of August 2016



Andrew Smith
Chairman



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 2016**



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Corporate Information

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

Directors

Mr Andrew Smith, Independent Non-Executive Director and Chairman
Mr Shui-Chiao Chang, Non-Executive Deputy Chairman
Mr Jiameng Zhang, Managing Director and CEO
Ms Peiya Zhuang, Executive Director
Mr Andrew Plympton, Independent Non-Executive Director
Mr Robert Gibson, Independent Non-Executive Director

Company Secretary

Mr Ting Jiang

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 1, 67 Greenhill Road
Wayville SA 5034

Website Address

www.xpdsoccer.com.au

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 2016.

Director details

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

Directors	Appointment Date
Mr Andrew Smith, Independent Non-Executive Director and Chairman of the Board	31 January 2015 and 29 June 2016
Mr Shui-Chiao Chang, Deputy Chairman	29 June 2016
Mr Jiameng Zhang, Managing Director and CEO	6 November 2014
Ms Peiya Zhuang, Executive Director	29 June 2016
Mr Andrew Plympton, Independent Non-Executive Director	21 February 2015
Mr Robert Gibson, Non-Executive Director	28 June 2016
Mr Jiashun Zhang, Executive Director and COO	9 February 2015 (Resigned 29 June 2016)
Mr Ben Meikle, Independent Non-Executive Director	6 February 2015 (Resigned 29 June 2016)

Company secretary

Mr Ting Jiang (appointed 18 November 2014)

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

The consumer demand for soccer sportswear continues to be fuelled by encouraging policies and initiatives from the PRC government, including the China Football Sports Reform Program adopted in March 2015, Medium and Long Term Development Guidelines for Football in China issued by the PRC National Development and Reform Commission in April 2016 and the construction over the next ten years of more than 70,000 football fields in the country. These government policies set short-term football participation targets including over 30 million elementary and high school students and over 50 million PRC residents regularly playing football.

Supported by President Xi's promotion of football and the enactment of China Football Sports Reform Program. Football, especially children's football, will grow rapidly in the future. Children's football in particular will expand due to more schools adopting a policy of compulsory football in their curriculum and therefore increasing participation in football training. As a result, it is expected that demand for children's football boots and apparel will increase significantly in the future. In the years ahead, this greater participation level and the broadening enthusiasm for football in the community will filter through tertiary colleges and local and national football leagues.

Revenue for the half-year ended 30 June 2016 was \$56.1million, representing growth of 20.4% on the comparative period of 2015. The increase in revenue was mainly attributable to the increase in sales of XPD brand soccer footwear. Gross profit margin has been maintained at approximately 33%.

Directors' Report (cont'd)

Review of operations and financial results (cont'd)

In March 2016, XPD released to the market its Strategic Plan. It contained an important initiative to improve and standardise its retail display terminals so as to enhance the presentation of its brand and products at point of sale. The cost of this important strategic initiative can now be seen in the company's half yearly NPAT.

NPAT decreased by 35% from \$7.2 million in corresponding period of 2015 to \$4.7 million. The principle reason for this fall in profit was the investment of \$5.9 million associated with rollout of the new retail display refurbishment program in 600 retail outlets in the 1st half of 2016.

The Company is very confident these improvements in signage, product display and racking, etc. will help drive future growth and give end consumers a new and enhanced shopping experience.

The Group continued to grow its cash on hand to \$44.7 million as at 30 June 2016, representing an increase of \$7 million from the position as at 31 December 2015. Financial liabilities have decreased to \$7.9 million from 31 December 2015.

As of 30 June 2016, the Group had 2,100 retail outlets, representing a net increase of 38 outlets compared with the outlet numbers at the end of 2015. The number of distributors in China increased to 240.

The Company's Strategic Plan also includes a plan to expand its manufacturing capacity. During the period ended 30 June 2016, the group's subsidiary, Jinjiang Chaoda Shoes and Garment Co., Ltd has entered into a 5-year lease agreement with Henan Yuanlong Industrial Co. Ltd (an associated company) for the lease of two manufacturing buildings and one dormitory in Henan Province, China for a cost of RMB 234,000 (AUD\$48,836) per month. Shoe manufacturing machinery and equipment is being purchased in the third quarter of 2016 with a plan to commence production in the fourth quarter of 2016.

Given the Group's strong balance sheet and cash flow, XPD will continue to actively pursue its growth strategy and also acquisitions that facilitate upstream and downstream integration. This could potentially enable the Group to deliver higher margins together with growth in market share.

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

Signed in accordance with a resolution of the Directors.



Andrew Smith
Chairman
31 August 2016

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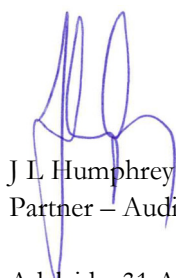
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XPD SOCCER GEAR GROUP LIMITED**

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 2016, 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 AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 31 August 2016

Grant Thornton Audit Pty Ltd ABN 94 269 609 023
ACN 130 913 594
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2016

	Note	30 Jun 2016 \$	30 Jun 2015 \$
Revenue		56,063,947	46,556,329
Cost of goods sold		(37,655,921)	(30,961,027)
Gross profit		18,408,026	15,595,302
Other revenues		66,230	68,261
Wages and salaries		(799,418)	(782,873)
Sales and marketing expenses		(3,096,873)	(2,738,480)
Depreciation and amortisation		(90,663)	(94,129)
Finance costs		(117,712)	(372,021)
Distributor support expenses		(5,885,340)	-
Other expenses		(1,536,179)	(803,201)
Capital raising expenses		-	(791,783)
Share of associate profit or loss using equity method	8	(397,904)	-
Profit before income tax		6,550,167	10,081,076
Income tax expense		(1,860,322)	(2,860,979)
Profit for the period		4,689,845	7,220,097
Other comprehensive income :			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		(3,556,721)	3,023,622
Total comprehensive income for the period		1,133,124	10,243,719
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)	6	1.19	2.73
Diluted earnings per share (cents per share)	6	1.19	2.73

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	30 Jun 2016 \$	31 Dec 2015 \$
Current assets			
Cash and cash equivalents	7	44,746,340	37,748,751
Trade and other receivables		18,970,987	18,557,430
Inventories		9,062,148	8,150,271
Total current assets		72,779,475	64,456,452
Non-current assets			
Property, plant and equipment		6,464,091	7,054,825
Land use rights		625,402	659,866
Investment in an associate – Equity accounted	8	14,739,049	15,790,280
Deferred tax asset	9	1,303,979	-
Total non-current assets		23,132,521	23,504,971
Total assets		95,911,996	87,961,423
Current liabilities			
Trade and other payables		9,285,832	4,988,889
Financial liabilities	10	7,912,557	11,049,465
Current tax liabilities		1,435,732	1,538,720
Total current liabilities		18,634,121	17,577,074
Non-Current liabilities			
Long-term financial liabilities		-	422,200
Total non-current liabilities		-	422,200
Total liabilities		18,634,121	17,999,274
Net assets		77,277,875	69,962,149
Equity			
Issued capital	11	23,745,343	13,728,653
Reserves		4,669,889	8,226,610
Retained earnings		48,862,643	48,006,886
Total equity		77,277,875	69,962,149

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

	Issued Capital	Retained earnings	Foreign Exchange Reserve	Statutory Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2015	2,766,334	33,047,446	3,386,330	1,382,576	40,582,686
Profit after income tax for the period	-	7,220,097	-	-	7,220,097
Other comprehensive income for the period	-	-	3,023,622	-	3,023,622
Total comprehensive income for the period	-	7,220,097	3,023,622	-	10,243,719
Issuance of share capital, net of related issuance costs	10,902,319	-	-	-	10,902,319
Transaction with owners in their capacity as owners	10,902,319	-	-	-	10,902,319
Balance at 30 June 2015	13,668,653	40,267,543	6,409,952	1,382,576	61,728,724
Balance at 1 January 2016	13,728,653	48,006,886	5,566,675	2,659,935	69,962,149
Profit after income tax for the period	-	4,689,845	-	-	4,689,845
Other comprehensive income for the period	-	-	(3,556,721)	-	(3,556,721)
Total comprehensive income for the period	-	4,689,845	(3,556,721)	-	1,133,124
Dividends paid	-	(3,834,088)	-	-	(3,834,088)
Issuance of share capital, net of related issuance costs	10,016,690	-	-	-	10,016,690
Transaction with owners in their capacity as owners	10,016,690	(3,834,088)	-	-	6,182,602
Balance at 30 June 2016	23,745,343	48,862,643	2,009,954	2,659,935	77,277,875

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half year ended 30 June 2016

	Note	30 Jun 2016 \$	30 Jun 2015 \$
Cash flows from operating activities			
Receipts from customers		54,868,006	47,249,075
Payments to suppliers and employees		(48,757,385)	(39,896,847)
Government grant received		-	2,950
Interest received		66,230	65,310
Finance costs		(117,712)	(372,021)
Income tax paid		(3,202,415)	(3,638,082)
Net cash provided by operating activities		2,856,724	3,410,385
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Payments for capital raising costs		-	(804,600)
Dividend paid		(998,869)	-
Repayments from related party		-	8,552
Proceeds from issuance of shares		7,350,000	11,814,988
Proceeds from borrowings		592,446	3,407,972
Repayment of borrowings		(594,468)	(1,924,200)
Net cash provided by financing activities		6,349,109	12,502,712
Net change in cash held		9,205,833	15,913,097
Cash at beginning of the period		37,748,751	12,635,117
Effect of exchange rates on cash holdings in foreign currencies		(2,208,244)	1,013,104
Cash and cash equivalents at end of the period	7	44,746,340	29,561,318

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General Information

XPD Soccer Gear Group Limited (the Company) is a public company listed on the Australian Securities Exchange (ASX: XPD) and was 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 designing, developing, manufacturing, distributing and marketing sportswear under the “XPD” brand.

The Group operates in two business segments being, 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 significant changes in the nature of the Group’s principal activities during the half-year of 2016.

2. General information and basis of preparation

The condensed interim consolidated financial statements (‘the interim financial statements’) of the Group are for the six (6) months ended 30 June 2016 and are presented in Australian Dollars, 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 2015 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 the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 31 August 2016.

3. 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 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

4. Estimates and Judgements

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 2015. 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.
- Recognition of deferred tax asset has been made based on the assessment of the probability of the Group's future taxable income against the extent in which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

5. Operating Segment

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 operating segments identified are also reported to the Directors, being the chief decision makers with respect to operating segments, and are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Company operates predominately in one geographical segment, being the People's Republic of China.

During the six (6) month period to 30 June 2016, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

5. Operating Segment (cont'd)

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

	Own-brand \$	Contract third-party \$	Unallocated \$	Total \$
For the period ended 30 June 2016				
Revenue from external customers ^(a)	54,512,536	1,551,411	-	56,063,947
COGS for external sales	(36,613,900)	(1,042,021)	-	(37,655,921)
Segment Result	17,898,636	509,390	-	18,408,026
Other income	-	-	66,230	66,230
Finance costs	-	-	(117,712)	(117,712)
Depreciation and amortisation	-	-	(90,663)	(90,663)
Other expenses	-	-	(11,715,714)	(11,715,714)
Profit/(loss) before income tax	17,898,636	509,390	(11,857,859)	6,550,167
Income tax expense	-	-	(1,860,322)	(1,860,322)
Profit after income tax	17,898,636	509,390	(13,718,181)	4,689,845
30 June 2016				
Segment assets ^(b)	-	-	95,911,996	95,911,996
Segment liabilities ^(b)	-	-	18,634,121	18,634,121
Total net assets from continuing operations	-	-	77,277,875	77,277,875

Notes to the Consolidated Financial Statements (Cont'd)

5. Operating Segment (cont'd)

	Own-brand \$	Contract third-party \$	Unallocated \$	Total \$
For the period ended 30 June 2015				
Revenue from external customers ^(a)	45,392,270	1,164,059	-	46,556,329
COGS for external sales	(30,196,285)	(764,742)	-	(30,961,027)
Segment Result	15,195,985	399,317	-	15,595,302
Other income	-	-	68,261	68,261
Finance costs	-	-	(372,021)	(372,021)
Depreciation and amortisation	-	-	(94,129)	(94,129)
Capital raising expenses	-	-	(791,783)	(791,783)
Other expenses	-	-	(4,324,554)	(4,324,554)
Profit/(loss) before income tax	15,195,985	399,317	(5,514,226)	10,081,076
Income tax expense	-	-	(2,860,979)	(2,860,979)
Profit after income tax	15,195,985	399,317	(8,375,205)	7,220,097
31 December 2015				
Segment assets ^(b)	-	-	87,961,423	87,961,423
Segment liabilities ^(b)	-	-	17,999,274	17,999,274
Total net assets from continuing operations	-	-	69,962,149	69,962,149

(a) The Group's exposure to customer concentration risk relates to its dependence on major customers. The Company's top 10 customers in June 2016 generated 52% (\$28,934,958) (June 2015: 54% \$25,147,378) of the Company's revenues during the current financial period.

(b) Group assets and liabilities are not specifically allocated across operating segments

Notes to the Consolidated Financial Statements (Cont'd)

6. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 30 June 2016 and 30 June 2015.

The diluted earnings per share for both years are the same as basic earnings per share as there are no dilutive securities on issue.

	30 Jun 2016	30 Jun 2015
Profit used to calculate basic EPS	4,689,845	7,220,097
Weighted average number of shares used in basic and diluted EPS	394,158,956	264,598,200

7. Cash and cash equivalents

	30 Jun 2016	31 Dec 2015
	\$	\$
Cash at bank and on hand ⁽¹⁾	44,746,340	36,319,696
Security deposit for notes payable ⁽²⁾	-	1,429,055
Total cash and cash equivalents	44,746,340	37,748,751

⁽¹⁾ Within cash at bank and on hand balances as at 30 June 2016, \$44.6 million (RMB220.5 million) (31 December 2015: \$36 million (RMB170.8 million)) are held with reputable financial institutions in the People's Republic of China in current accounts with average interest rates of 0.3% (31 December 2015: 0.3%).

⁽²⁾ Security deposits for notes payable. Refer to Note 10.

Notes to the Consolidated Financial Statements (Cont'd)

8. Investment in an associate

The company holds an investment in Henan Yuanlong Industrial Co., Ltd ("HYI") located in Henan Province in the China. The Company was specifically incorporated to acquire land and construct an industrial complex consisting of multiple factories for tenancies. On the basis of the percentage of interest in Henan Yuanlong Industrial Co., Ltd held, 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 associate and equity accounted.

	30 Jun 2016	31 Dec 2015
	\$	\$
Opening balance	15,790,280	14,915,120
Share of associate profit or loss using equity method	(397,904)	-
Net exchange differences	(653,327)	875,160
Net carrying value	14,739,049	15,790,280

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

	30 Jun 2016	31 Dec 2015
	\$	\$
Total current assets	221,662	1,710,221
Total non-current assets	52,417,798	59,021,625
Total assets	52,639,460	60,731,846
Total current liabilities	-	-
Total non-current liabilities	-	-
Total liabilities	-	-
Net assets	52,639,460	60,731,846
Net profit/(loss) for the period	(1,421,085)	-
Group's share of net assets	14,739,049	15,790,280
Group's share of net profit/(loss)	(397,904)	-

The associate has no commitments for expenditure of contingent liabilities as at 30 June 2016 (2015: nil).

Notes to the Consolidated Financial Statements (Cont'd)

9. Deferred tax asset

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

	30 Jun 2016	31 Dec 2015
	\$	\$
Distributor support	1,303,979	-
Total deferred tax asset	1,303,979	-

10. Financial liabilities

	Interest rates (%) 2016	Interest rates (%) 2015	30 Jun 2016 \$	31 Dec 2015 \$
Current				
Notes payable	-	-	-	3,208,719
Short term borrowings	6.09 – 7.80	6.09 – 7.80	7,912,557	7,840,746
			<u>7,912,557</u>	<u>11,049,465</u>
Non-Current				
Long term borrowings	-	8.50	-	422,200
			<u>-</u>	<u>422,200</u>

The carrying amounts of the current payables, borrowings and non-current borrowings are considered to be a reasonable approximation of their fair value.

Notes payable are guaranteed against interest bearing short-term deposits (31 December 2015: \$1.43mil). The borrowings of the Group are guaranteed by a non-related entity and personal guarantees by Mr. Zhang Shao Hua (related party) and other individuals and secured by the Company's land and buildings.

Notes to the Consolidated Financial Statements (Cont'd)

11. Issued capital

	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
	No. of shares	No. of shares	\$	\$
<u>Fully paid ordinary shares</u> ⁽¹⁾				
Balance at beginning of the period/incorporation ⁽²⁾	383,408,833	10	13,728,653	10
Acquisition of China Soccer Group ⁽²⁾	-	349,999,990	-	7,966,312
IPO share issue, net of related issuance expenses ⁽³⁾	-	33,075,500	-	5,702,331
Share-based payment ⁽⁴⁾	-	333,333	-	60,000
Shares issued through share placement ⁽⁵⁾	35,000,000	-	7,350,000	-
Shares issued through DRP ⁽⁶⁾	16,125,801	-	2,666,690	-
End of the period	434,534,634	383,408,833	23,745,343	13,728,653

- (1) Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.
- (2) XPD Soccer Gear Group Limited was incorporated on 22 May 2014 with 10 ordinary shares. Pursuant to a Share Sale Deed dated 16 February 2015 the Company has issued additional 349,999,990 ordinary shares to the existing shareholders of China Soccer Group as purchase consideration for 100% of the share capital of China Soccer Group.
- (3) The issue of 33,075,500 ordinary shares at an issue price of \$0.20 per share pursuant to a public offer at ASX together with related issuance expenses of \$912,769.
- (4) Issuance of 333,333 ordinary shares to Mr Rob Harrison for his services for XPD Soccer Gear Group Ltd.
- (5) On 19 May 2016, 35,000,000 shares were issued at \$0.21 per share pursuant to a private placement, the total consideration received was \$7,350,000.
- (6) During the period, 16,125,801 shares were issued under the Dividend Reinvestment Plan (DRP) which allows eligible shareholders to reinvest dividends and acquire additional shareholdings at a discounted market price (5% discount on average market price).

Notes to the Consolidated Financial Statements (Cont'd)

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 2016	30 June 2015
Jinjiang XPD Import and Export Ltd⁽¹⁾		
Sales made to the related party	1,984,456	1,140,501
Payment received from the related party	(2,122,528)	(1,112,997)

⁽¹⁾ Director Mr. Zhang Jiameng is a shareholder of Jinjiang XPD Import and Export Ltd.

	30 June 2016	30 June 2015
Zhang Shaohua (Relative of Director)		
Cash advanced to the related party	333,519	1,018,665
Repayment from the related party	(333,519)	(1,027,013)

Zhang Jiameng (Director)		
IPO costs paid on behalf of the group	-	1,624,301
Repayment from the related party	-	782,600
Cash advanced by the related party for expenses	1,257,485	-

A lease agreement has been signed the company and Henan Yuanlong Industrial Co., Ltd during the period. Refer to Note 15 for further details.

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 2016	Receivable from related party ⁽¹⁾	Investment in related party	Payable to related party ⁽¹⁾
Jinjiang XPD Import and Export Ltd	849,079	-	-
Zhang Jiameng (Director)	-	-	(2,881,786)
Henan Yuanlong Industrial Co., Ltd	-	14,739,049	-
	849,079	14,739,049	(2,881,786)

Notes to the Consolidated Financial Statements (Cont'd)

12. Related party transactions (cont'd)

31 December 2015	Receivable from related party ⁽¹⁾	Investment in related party	Payable to related party ⁽¹⁾
Jinjiang XPD Import and Export Ltd	1,026,140	-	-
Zhang Jiameng (Director)	-	-	(841,701)
Henan Yuanlong Industrial Co., Ltd	-	15,790,280	-
	1,026,140	15,790,280	(841,701)

⁽¹⁾ Receivables and payables to related parties have been included within trade and other receivables and trade and other payables in the Statement of Financial Position.

Related party balances comprise trade receivables arising out of the normal course of business and related party loans for payment of company expenses. No specific terms and conditions have been attached to the loans received.

13. Dividends

During the first half of 2016, the Group paid a dividend of \$0.01 per share totalling \$3,834,088 to its equity shareholders (June 2015: nil). The dividend was declared with a record date of 13 May 2016 and was paid on the 30 May 2016.

\$2,666,690 (net of taxes) was reinvested under the Company's Dividend Reinvestment Plan (DRP) resulting in the issue of 16,125,801 shares. This has been treated as a non-cash flow within the Statement of Cash Flow.

14. Contingent liabilities

As at 30 June 2016, the Group is not aware of any contingent assets or liabilities that should be disclosed in accordance with AASB 137.

15. Lease Commitment

During the period ended 30 June 2016, the group's subsidiary, Jinjiang Chaoda Shoes and Garment Co., Ltd has entered into a 5-year lease agreement with Henan Yuanlong Industrial Co., Ltd (associate) for the rental of two manufacturing buildings and one dormitory in Henan Province, China for RMB 234,000 (AUD\$48,836) per month. Total outstanding commitments as at 30 June 2016 are:

Within 1 year	2 – 5 years	Over 5 years	Total Commitment
\$	\$	\$	\$
567,778	2,223,796	-	2,791,574

Notes to the Consolidated Financial Statements (Cont'd)

16. Controlled Entities

Details of subsidiaries controlled by the Company as at 30 June 2016 are as follows:

	Country of Incorporation	Percentage Owned (%) ⁽¹⁾	
		30 Jun 2016	31 Dec 2015
		%	%
XPD Soccer Gear Group Limited ⁽³⁾	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

Note:

(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.

17. Fair value measurement

The Group does not hold any financial assets or liabilities carried at fair value as at 30 June 2016. 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.

18. Events after the reporting date

After the reporting date, no material events occurred which had a significant impact on our 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 2016 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:



Director

Jiameng Zhang

Dated on 31 August 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF XPD SOCCER GEAR GROUP LIMITED

We have reviewed the accompanying half-year financial report of XPD Soccer Gear Group Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of XPD Soccer Gear Group Limited 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 controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 XPD Soccer Gear Group Limited consolidated entity's financial position as at 30 June 2016 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.

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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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XPD Soccer Gear Group Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 31 August 2016