XPD SOCCER GEAR GROUP LIMITED

ABN 96 169 695 283

APPENDIX 4E

Preliminary Final Report

FOR THE YEAR ENDED
31 DECEMBER 2015

Appendix 4E

Commentary on Full Year Results

Corporate Results Summary

FY2015 has been an outstanding year for XPD Group. The team has delivered continued growth in revenue and profit, whilst managing the successful listing of the Group on the ASX. We continued to increase XPD distributors and retail outlets in China, and invested significantly in XPD brand marketing and promotion.

- Sales revenue of FY2015 increased by 35.9% to $102.3million when compared to FY2014 as a result of continued expansion of sales channels and network, and increased in sale of XPD brand footwear in particular soccer footwear.

- The gross profit margin has maintained at 33%.

- Net profit (excluding non-recurring costs associated with the IPO) increased by 11.4% to $17.05 million for FY2015 from $15.3 million in FY2014. Such increase in net profit during the period was primarily due to an increase in sales and marketing effort by the Company.

- Total sales and marketing expenses for FY2015 amounted to approximately $6.9 million (FY2014: $3.0 million), representing an increase of 130% from FY 2014. The increase was mainly attributable to increased expenses associated with advertising and promotion activities for our brand and increase in staff costs.

- Total administrative expenses for FY2015 amounted to $3.0 million (FY2014: $0.9 million), representing an increase of 233% when compared to FY2014. The increase was mainly caused by increased staff costs, consulting costs and donations made to schools and community.

- Foreign exchange translation gain of $2.2million, arising from the appreciation of RMB against AUD during the year.

- Maintaining strong cash position of $37.7million as at 31 December 2015 with sound net operating cash inflow of $13.0million for FY 2015.

About XPD Soccer Gear Group Limited

XPD Soccer Gear Group Limited is a leading and fast-growing sportswear company in China. It has developed a vertically integrated business model, through which it designs, develops, manufactures, markets and distributes sportswear products under the "XPD" brand. It started as an Original Equipment Manufacturer (OEM) on footwear products for renowned international brands in 1992.

XPD has been employing a focused business strategy on soccer sector since 2004 whilst it offers products for other sports. XPD has established an extensive supply chain management system through in-house and sub-contracted manufacturing operations, and an extensive distribution network of over 2,000 retail outlets throughout China.

XPD listed on the Australian Securities Exchange on 21 May 2015.

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period	**12 months ended 31 December 2015**
Prior Period	**12 months ended 31 December 2014**

2. Results for announcement to the market

Consolidated Group	Item		$'000	% Change		$'000
Revenue – excluding interest received	2.1	up	27,020	35.9	to	102,256
Profit after tax attributable to members	2.2	up	934	6.1	to	16,237
Net Profit attributable to members	2.3	up	934	6.1	to	16,237
Dividend	2.4					

	Amount per security	Amount Franked	Amount Unfranked
Final dividend per share	1 cent	Nil	1 cent

The record date for determining entitlements to the dividend	2.5	15 May 2016
Date final dividend payable	2.6	30 May 2016
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 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. The Group has established an extensive supply chain management system through in-house and sub-contracted manufacturing operations; and an extensive distribution network in China through distributors.

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 FY2015, XPD sales increased by 35.9% compared to FY2014 as a result of continued expansion of sales channels and network, and increased in sale of XPD brand footwear in particular soccer footwear. The gross profit margin has maintained at 33%.

Net profit (excluding non-recurring costs associated with the IPO) increased by 13.7% to AUD17.05million for FY2015 from AUD15.3 million in FY2014. Such increase in net profit during the period was primarily due to an increase in sales and marketing effort by the Company.

Financial Position

The net assets of the consolidated group increased by $29,379,463 from $40,582,686 at 31 December 2014 to $69,962,149 at 31 December 2015. Such increase is resulted mainly from the following factors:

- Profits after tax attributable to members of $ 16,236,799
- Increase in foreign exchange reserve by $ 2,180,345

Significant Changes in the State of Affairs

- issue of share capital:
  - pursuant to a Share Sale Deed dated 16 February 2015, China Soccer Holdings, the intermediate holding company incorporated in Hong Kong, and its controlled entities, became subsidiaries of the Company
  - on 18 May 2015, the Group issued 33,075,500 shares as part of its capital raising program which resulted in proceeds of $6.6m, each share has the same terms and conditions as the existing ordinary shares.

- The Group was listed on the Australian Securities Exchange on 21 May 2015.

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income – see accompanying preliminary financial statements

4. Consolidated Statement of Financial Position – see accompanying preliminary financial statements

5. Consolidated Statement of Cash Flow – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

The Directors have recommended to pay a final dividend of 1 cent per share.

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, but will adopt one in the near future.

8. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

9. Net tangible assets per security

	31 December 2015
Number of securities	383,408,833
Net tangible assets per security in cents	**18.25**

10. Changes in controlled entities

Pursuant to a Share Sale Deed dated 16 February 2015, China Soccer Holdings, the intermediate holding company incorporated in Hong Kong, and its controlled entities, became subsidiaries of the Company

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 26% 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 2015**
Basic earnings per share in cents	**7.12**
Diluted earnings per share in cents	**7.12**

After Balance Date Events

Apart from the final dividends recommended by the Board, 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 and are not likely to be subject to dispute or qualification.

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

Andrew Smith – Deputy Chairman

Dated this 29 day of February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 $	2014 $
Revenue	8	102,255,795	75,235,915
Cost of sales		(68,454,015)	(50,380,601)
Gross profit		**33,801,780**	**24,855,314**
Other revenues	8	135,726	59,517
Sales and marketing expenses	9	(6,856,501)	(2,965,424)
Capital raising expenses		(818,177)	-
Administration expenses	10	(3,027,401)	(926,466)
Share based payments	24	(60,000)	-
Finance costs	11	(647,868)	(605,634)
Share of partnership profit or loss using equity method	20	-	-
Profit before income tax		**22,527,559**	**20,417,307**
Income tax expense	12	(6,290,760)	(5,114,391)
Profit for the year attributable to members of the parent		**16,236,799**	**15,302,916**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		2,180,345	3,386,330
Total comprehensive income for the year attributable to members of the parent		**18,417,144**	**18,689,246**

Earnings per share on profit attributable to ordinary equity holders

	Note	2015	2014
Basic earnings per share (cents per share)	7	7.12	6.71
Diluted earnings per share (cents per share)	7	7.12	6.71

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 2015

	Note	2015 $	2014 $
Current assets			
Cash and cash equivalents	14	37,748,751	12,635,117
Trade and other receivables	15	18,557,430	16,030,378
Inventories	16	8,150,271	5,994,092
Prepayments	17	-	567,099
Total current assets		**64,456,452**	**35,226,686**
Non-current assets			
Property, plant and equipment	18	7,054,825	7,253,569
Land use rights	19	659,866	593,342
Investment in associate	20	15,790,280	14,915,120
Total non-current assets		**23,504,971**	**22,762,031**
Total assets		**87,961,423**	**57,988,717**
Current liabilities			
Trade and other payables	21	4,988,889	3,295,900
Financial liabilities	22	11,049,465	12,233,190
Current tax liabilities	23	1,538,720	1,876,941
Total current liabilities		**17,577,074**	**17,406,031**
Long-term financial liabilities	22	422,200	-
Total non-current liabilities		**422,200**	-
Total liabilities		**17,999,274**	**17,406,031**
Net assets		**69,962,149**	**40,582,686**
Equity			
Issued capital	24	13,728,653	2,766,334
Reserves	26	8,226,610	4,768,906
Retained earnings		48,006,886	33,047,446
Total equity		**69,962,149**	**40,582,686**

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 2015

	Issued Capital	Retained earnings	Foreign Exchange Reserve	Statutory Reserves	Total
	$	$	$	$	$
Balance at 1 January 2014	**2,761,410**	**17,744,530**	**-**	**1,382,250**	**21,888,190**
Profit after income tax expense for the year	-	15,302,916	-	-	15,302,916
Other comprehensive income	-	-	3,386,330	-	3,386,330
Total comprehensive income for the year	**-**	**15,302,916**	**3,386,330**	**-**	**18,689,246**
Transactions with owners in their capacity as owners					
Shares issued	4,924	-	-	326	5,250
Balance at 31 December 2014	**2,766,334**	**33,047,446**	**3,386,330**	**1,382,576**	**40,582,686**
Balance at 1 January 2015	**2,766,334**	**33,047,446**	**3,386,330**	**1,382,576**	**40,582,686**
Profit after income tax expense for the year	-	16,236,799	-	-	16,236,799
Other comprehensive income	-	-	2,180,345	-	2,180,345
Total comprehensive income for the year	**-**	**16,236,799**	**2,180,345**	**-**	**18,417,144**
Transactions with owners in their capacity as owners					
Shares issued	11,875,088	-	-	-	11,874,988
Share issue cost	(912,769)	-	-	-	(912,669)
Transfer to statutory reserves	-	(1,277,359)	-	1,277,359	-
Balance at 31 December 2015	**13,728,653**	**48,006,886**	**5,566,675**	**2,659,935**	**69,962,149**

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 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		118,055,410	83,080,812
Payments to suppliers and employees		(97,776,064)	(63,068,134)
Government grant received		4,712	-
Interest received		128,431	55,545
Finance costs paid		(647,869)	(605,634)
Income tax paid		(6,739,115)	(4,925,162)
Net cash provided by (used in) operating activities	28	**13,025,505**	**14,537,427**
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(45,963)	(115,322)
Payment for interest in associate		-	(10,927,120)
Net cash provided by (used in) investing activities		**(45,963)**	**(11,042,442)**
Cash flows from financing activities			
Payment of capital raising costs		(830,994)	-
Cash received from related parties.		-	1,164,500
Capital contribution by shareholders		11,814,988	5,250
Repayment of short-term borrowing		(9,123,742)	(10,169,400)
Proceeds from short-term borrowing		9,740,646	10,213,268
Net cash provided by (used in) financing activities		**11,600,898**	**1,213,618**
Net change in cash and cash equivalents held		24,580,440	4,708,603
Cash and cash equivalents at beginning of financial year		12,635,117	5,853,899
Effect of exchange rates on cash holdings in foreign currencies		533,194	2,072,615
Cash and cash equivalents at end of financial year	14	**37,748,751**	**12,635,117**

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

Notes to the Consolidated Financial Statements

1. Nature of operations

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

The Group operates in two business segments, sportswear under its owned XPD brand and OEM business for overseas brands 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 year ended 2015.

2. General information and statement of compliance

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

XPD Soccer Gear Group Limited is the Group's Ultimate Parent Company. XPD Soccer Gear Group Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Exchange Tower Level 1, 530 Little Collins Street, Melbourne VIC 3000, Australia.

The preliminary financial report was authorised for issue on 29 February 2016 by the board of directors.

3. Changes in accounting policies

3.2 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010–2012 Cycle*:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)

- amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011–2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

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

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

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

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

4. Summary of accounting policies

4.2 Overall considerations

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

4.3 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2015. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combination

XPD Soccer Gear Group Limited, China Soccer Holdings Co., Limited and Jinjiang Chaoda Shoes and Garments Co., Limited were owned and controlled by the same shareholders before and after the business combination, and as the control was not transitory, therefore the business combination represented a common control combination.

Business combination involving entities under common control is scoped out under AASB3 Business Combination. AASB provides no guidance on the accounting for these types of transactions; however requires an entity to develop an accounting policy. The two most common methods utilised are the purchase method and the pooling of interest –type method (predecessor value method). A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties, both before and after the business combination, and control is not transitory.

Management has determined the pooling of interest-type method to be the most appropriate. The pooling of interest –type method requires the financial statements to be prepared using the predecessor book value without any step up to fair value. The difference between any consideration given and aggregate book value of the assets and liabilities of the acquired entity are recorded as an adjustment to equity. This may be recorded in retained earnings / reserve and no additional goodwill is created by the transaction. The comparatives have been presented as if the combination had occurred from the date when the combining entities first came under the control of the controlling parties.

4. Summary of accounting policies (cont.)

All transaction costs incurred in relation to the business combination are expensed to the statement of profit and loss.

Consolidated Financial Statement Presentation

The consolidation financial statements (post combination) can be presented using one of two methods. The first method, being the consolidated financial statements can incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Alternatively the consolidated financial statements can incorporate acquired entity's results only from the date on which the transaction occurred.

Management have determined to use option one – reporting comparatives as though the Group had always been combined.

4.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

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

Foreign operations

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

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

4. Summary of accounting policies (cont.)

4.4 Segment reporting

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

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

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

4.5 Revenue

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

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

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

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

4.6 Borrowing costs

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

4.7 Land use rights

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives.

4.8 Property, plant and equipment

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

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

4. Summary of accounting policies (cont.)

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

Class of Fixed Asset	Depreciation Rate	Depreciation Basis
Office equipment	20%	Straight line
Manufacturing equipment	10%	Straight line
Motor vehicle	20%	Straight line
Buildings	5%	Straight line

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

4.9 Income Tax

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

Current tax

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

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

4. Summary of accounting policies (cont.)

4.10 Inventories

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

4.11 Investments in associates and joint arrangements

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

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

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

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

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

4.12 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording at asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful live or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

4. Summary of accounting policies (cont.)

4.13 Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

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

Effective interest rate method

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

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

Classification and subsequent measurement

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy.

4. Summary of accounting policies (cont.)

Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments
These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

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

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

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

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss

4. Summary of accounting policies (cont.)

to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

4.14 Impairment of Non-Financial Assets

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

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

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

4.15 Value Added Tax (VAT) / Goods and Services Tax (GST)

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

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

4.16 Cash and cash equivalents

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

4.17 Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled 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

4. Summary of accounting policies (cont.)

4.18 Comparative Figures

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

4.19 Critical accounting estimates and judgements

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

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

Key estimates — Impairment of non-financial assets

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

5. Business Combination

Pursuant to a share sale deed dated 16 February 2015 XPD Soccer Gear ("XPD") issued 349,999,990 ordinary shares to the existing shareholders of China Soccer Holdings Co., Limited and its controlled entities ("China Soccer Group") as purchase consideration for 100% of the share capital of that entity.

Through this transaction effective control of China Soccer Group passed to the shareholders of XPD. The transaction is one referred to in AASB 3 Business Combinations as a common control transaction, as the nature and substance of this transaction is a group restructure where following the reconstruction XPD took control of China Soccer Group 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 Group's) net assets as of 31 December 2014.

5. Business Combination (cont.)

The following has been extracted from the audited financial information of China Soccer Group as at 31 December 2014:

The assets and liabilities of China Soccer Group were:

	$
Cash and cash equivalents	12,635,117
Trade and other receivables	16,030,378
Inventories	5,994,092
Prepayments	567,099
Property, plant and equipment	7,252,452
Intangible assets	594,459
Investment in an associate	14,915,120
Trade and other payables	(3,295,900)
Financial liabilities	(12,233,190)
Current tax liabilities	(1,876,941)
Total net assets acquired	**40,582,686**
Accounted for as:	
Issued capital	2,766,334
Reserves	4,768,906
Retained earnings	33,047,446
	40,582,686

The acquisition has been treated as a common control transaction and therefore the information has been prepared on the basis that the acquisition has occurred prior to the current comparative period.

6. Segment reporting

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

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

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

During the year to 31 December 2015, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

6. Segment reporting (cont.)

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 2015	Own-brand $	Contract third-party $	Unallocated $	Total $
Revenue from external customers [(a)]	100,069,071	2,186,724	-	102,255,795
COGS for external sales	(66,465,340)	(1,988,675)	-	(68,454,015)
Segment Result	**33,603,731**	**198,049**	**-**	**33,801,780**
Finance costs	-	-	(647,868)	(647,868)
Depreciation and amortisation	-	-	(191,247)	(191,247)
Other expenses	-	-	(10,435,106)	(10,435,106)
Profit/(loss) before income tax			**(11,274,221)**	**22,527,559**
Income tax expense			(6,290,760)	(6,290,760)
Profit after income tax			**(17,564,981)**	**16,236,799**
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**

For the year ended 31 December 2014	Own-brand $	Contract third-party $	Unallocated $	Total $
Revenue from external customers [(a)]	72,431,905	2,804,010	-	75,235,915
COGS for external sales	(48,219,001)	(2,161,600)	-	(50,380,601)
Segment Result	**24,212,904**	**642,410**	**-**	**24,855,314**
Finance costs	-	-	(605,634)	(605,634)
Depreciation and amortisation	-	-	(163,201)	(163,201)
Other expenses	-	-	(3,669,172)	(3,669,172)
Profit/(loss) before income tax			**(4,438,007)**	**20,417,307**
Income tax expense			(5,114,391)	(5,114,391)
Profit after income tax			**(9,552,398)**	**15,302,916**
31 December 2014				
Segment assets [(b)]	-	-	57,988,717	57,988,717
Segment liabilities [(b)]	-	-	(17,406,031)	(17,406,031)
Total net assets from continuing operations	**-**	**-**	**40,582,686**	**40,582,686**

a. The Group's exposure to customer concentration risk relates to its dependence on major customers. The Company's top 10 customers in December 2015 generated 52% ($53,322,808) (December 2014: 54% ($40,516,553)) of the Company's revenues during the financial period.

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

7. Earnings per share

Both the basic earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the year to 31 December 2015:

	2015	2014
Profit used to calculate basic EPS	**16,236,799**	**15,302,916**
Weighted average number of shares used in basic and diluted EPS	227,911,099	227,911,099

The Company was established on 22 May 2014 with 10 fully paid ordinary shares on issue as at 31 December 2014. Given the nature of the business combination that occurred during the period, the EPS calculation for 31 December 2014 is based on the current period weighted average number of shares for comparison purposes.

8. Revenue

Operating activities	**2015 $**	**2014 $**
Sales of goods	102,255,795	75,235,915
Total Revenue	**102,255,795**	**75,235,915**
Non-operating activities		
Government grant	4,712	-
Interest received	128,431	55,546
Other non-operating income	2,583	3,971
Total Other Revenue	**135,726**	**59,517**

During the year revenue from top ten customers amounted to $53,322,808 (52%) (2014: $40,516,553 (54%)) arising from wholesale of sports shoes.

9. Sales and marketing expenses

	2015 $	**2014 $**
Advertising, promotion, exhibition and sponsorship	6,143,902	2,582,535
Salary expenses	317,345	189,810
Transportation expense	149,717	96,992
Other sales and marketing expenses	245,537	96,087
Total sales and marketing expenses	**6,856,501**	**2,965,424**

10. Administration expenses

	2015 $	2014 $
Employee expenses	1,335,982	417,191
Director fees	116,200	-
Depreciation and amortisation	186,941	159,488
Office expense	33,933	16,017
Accounting and audit expense	147,700	-
Entertainment expense	150,239	23,582
Legal and consulting expense	432,157	14,218
ASX expense	59,317	-
Travel expense	21,772	18,067
Telecommunication expense	15,440	18,098
Stamp duty expense	50,824	32,464
Union membership expense	59,237	35,690
Vehicle expense	28,369	18,712
Donation to schools and community	106,850	-
Other administration expense	282,440	172,939
Total administration expenses	**3,027,401**	**926,466**

11. Finance Costs

Finance costs for the reporting periods consist of the following:

	2015 $	2014 $
Interest expense	640,164	576,775
Other expenses	7,704	28,859
Total finance costs	**647,868**	**605,634**

12. Income Tax Expense

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

	2015 $	2014 $
The components of tax expense comprise:		
Current tax	6,290,760	5,114,391
Total income tax expense	**6,290,760**	**5,114,391**
Reconciliation of tax expense		
Profit before income tax	22,527,559	20,417,307
Prima facie tax payable on profit before income tax at 30% (2014: 30%)	6,758,268	6,125,192
Adjustment to income tax expense due to:		
– Differences in taxation rates in foreign subsidiaries	(1,005,052)	(1,010,801)
– Foreign losses not recognised	375,746	-
– Losses in the parent entity not recognised	161,798	-
Income tax attributable to the Group	**6,290,760**	**5,114,391**
The applicable weighted average effective tax rate are as follows:	28%	25%

12. Income Tax Expense (cont.)

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

As at 31 December 2015, XPD Soccer Gear Group Ltd (parent entity) had an estimated available tax loss at approximately $ 1.32 million (2014: nil). Tax losses in the parent entity have not been recognised as it is likely they will not be utilised due to the parent entity's holding nature of operations. Tax losses in subsidiary, China Soccer Holdings Ltd is not presented as they are unlikely to be realised due to the nature of the entity being holding company.

13. Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided by the auditors of the Company, its network firms and unrelated firms:

	2015 $	2014 $
Remuneration of the auditor of the Company		
- auditing or reviewing the financial report	134,000	100,000
Total audit services	134,000	100,000
Non-audit services		
- taxation report	5,000	-
- Investigating Accountant's Report	45,000	-
Total non-audit services	50,000	**-**
Total auditor's remuneration	**184,000**	**100,000**

14. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2015 $	2014 $
Cash on hand	21,028	47,932
Cash at bank	36,298,668	9,557,900
Security deposit for notes payable	1,429,055	3,029,285
Total cash and cash equivalent	**37,748,751**	**12,635,117**

15. Trade and Other Receivables

Trade and other receivables consist of the following:

	2015 $	2014 $
Trade receivables[a]	18,442,253	15,964,250
Other receivables	115,177	66,128
Total current trade and other receivables	**18,557,430**	**16,030,378**

[a] Within trade receivable is an amount receivable from Jinjiang XPD Import and Export Ltd amounting to $1.03 million (2014: $1.0 million).

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balances, nor does it hold any restrictions of title.

The average credit period on sales of goods is 90 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

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

	2015 $	2014 $
90 – 180 days	11,241	39,759
181 – 365 days	-	-
Total	**11,241**	**39,759**

The Group expects to recover amounts outside credit terms in full.

16. Inventories

	2015 $	2014 $
Raw materials	2,569,048	1,574,742
Finished goods	1,595,324	1,044,454
Work in progress	3,985,899	3,374,896
Net inventory	**8,150,271**	**5,994,092**

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

17. Prepayments

	2015 $	2014 $
Prepayments	-	567,099
Total prepayments	**-**	**567,099**

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

18. Property, plant and equipment

	2015 $	2014 $
Machinery and Office Equipment		
At cost	1,958,125	1,849,598
Accumulated depreciation	(1,004,294)	(762,236)
Total Machinery and Office Equipment	953,831	1,087,362
Buildings		
At cost	8,752,206	8,267,124
Accumulated depreciation	(2,666,747)	(2,126,257)
Total Buildings	6,085,459	6,140,867
Motor Vehicles		
At cost	59,648	56,342
Accumulated depreciation	(44,134)	(32,119)
Total Motor Vehicles	15,514	24,223
Accounting Software		
At cost	5,910	5,583
Accumulated depreciation	(5,889)	(4,466)
Total Accounting Software	21	1,117
Total property, plant and equipment	**7,054,825**	**7,253,569**

Manufacturing building was pledged as security for short-term borrowings (refer Note 22).

18. Property, plant and equipment (cont.)

Movement in Carrying Amounts

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

	Machinery and Office Equipment	Buildings	Motor Vehicles	Accounting Software	Total
	$	$	$	$	$
Balance at 31 December 2013	**1,052,276**	**6,038,788**	**32,283**	**2,064**	**7,125,411**
Additions	115,322	-	-	-	115,322
Disposals	(1,921)	-	-	-	(1,921)
Depreciation expense	(159,709)	(355,665)	(9,696)	(1,011)	(526,081)
Net exchange differences	81,394	457,744	1,636	64	540,838
Balance at 31 December 2014	**1,087,362**	**6,140,867**	**24,223**	**1,117**	**7,253,569**
Depreciation expense	(199,763)	(420,850)	(10,255)	(1,197)	(632,065)
Net exchange differences	66,232	365,442	1,546	101	433,321
Balance at 31 December 2015	**953,831**	**6,085,459**	**15,514**	**21**	**7,054,825**

19. Land use rights

	2015	2014
	$	$
At Cost	729,131	645,832
Accumulated Amortisation	(69,265)	(52,490)
Total Land Use Rights	**659,866**	**593,342**

Movements in Carrying Amounts

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	Land use rights	Total
	$	$
Balance at 31 December 2013	**560,349**	**560,349**
Amortisation expense	(11,699)	(11,699)
Net exchange differences	44,692	44,692
Balance at 31 December 2014	**593,342**	**593,342**
Additions	45,963	45,963
Amortisation expense	(13,843)	(13,843)
Net exchange differences	34,404	34,404
Balance at 31 December 2015	**659,866**	**659,866**

19. Land use rights (cont.)

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	44 years (valid until 19 July 2060)

Land use rights was pledged as security for short-term borrowings (refer Note 22).

20. Investment in associate

The investment represents a 26% share interest in Henan Yuanlong Industrial Co., Ltd ("HYI") which is located in Henan Province, China. HYI is a PRC company specifically incorporated to develop a commercial manufacturing site of which XPD will be a tenant. During the year ended 31 December 2015 HYI was in the process of constructing the properties. On the basis of the interest in Henan Yuanlong Limited 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 associate and equity accounting of the Company's share of profit and loss will be accounted for once the investee commences operations.

There is no profit or loss item recognised by the associate during the period given the site is still under construction and all the costs incurred are capitalised as assets.

	2015 $	2014 $
Opening balance	14,915,120	3,686,000
Capital contributions	-	9,896,880
Net exchange differences	875,160	1,332,240
Net carrying value	**15,790,280**	**14,915,120**

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

	2015 $	2014 $
Total current assets	1,710,221	3,731,075
Total non-current assets	59,021,625	53,634,772
Total assets	**60,731,846**	**57,365,847**
Total liabilities	-	-
Total non-current liabilities	-	-
Total liabilities	**-**	**-**
Net assets	**60,731,846**	**57,365,847**
Group's share of net assets	15,790,280	14,915,120

20. Investment in associate (cont.)

There is no profit or loss item recognised by the associate during the period given the manufacturing site is still under construction and all the costs incurred are capitalised as non-current asset.

The associate has no commitments for expenditure or contingent liabilities as at 31 December 2015 (2014: $887,330).

21. Trade and Other Payables

	2015 $	2014 $
Current		
Trade payables	2,100,969	1,712,048
Other tax payable	1,113,745	901,053
Salary payable	959,885	492,442
Other payables[(a)]	814,290	190,357
Total trade and other payables	**4,988,889**	**3,295,900**

(a) Within other payables is an amount payable to Mr. Zhang Jiameng (Director) amounting to $741,701 (2014: nil).

22. Financial Liabilities

The financial liabilities of the Group include the following:

	2015 $	2014 $
Current		
Notes payable[(1)]	3,208,719	5,010,922
Short term borrowings[(2)]	7,840,746	7,222,268
	11,049,465	**12,233,190**
Non-Current		
Long term borrowing	422,200	-
	422,200	**-**

(1) Notes payable mature from January 2016 to May 2016 (2014: from January 2015 to June 2015). The notes payable are guaranteed by interest bearing short-term bank deposit of $1,429,055 (2014: $3,029,285) (Refer: Note 14).

(2) Interest rates for short term borrowings are between 6.09% to 7.80% per annum for the current financial year (2014: 6.06% to 8.75% per annum). The current year weighted average interest rate for the loan balance is 7.34% per annum (2014: 8.84% per annum). The borrowings are secured by the land use rights and buildings belonging to the Group (Refer: Note 18 and Note 19).

23. Taxation

	2015 $	2014 $
Income tax payable	1,538,720	1,876,941
Total income tax payable	**1,538,720**	**1,876,941**

24. Issued Capital

	2015 No. of shares	2014 No. of shares	2015 $	2014 $
Fully paid ordinary shares (1)				
Balance at beginning of the period/incorporation (2)	10	10	10	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	
End of the year	**383,408,833**	**10**	**13,728,653**	**10**

1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
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.

25. Capital Management

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

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

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

	2015 $	2014 $
Total liabilities	17,999,274	17,406,031
Less: cash and cash equivalents	(37,748,751)	(12,635,117)
Net liabilities/(Net cash and cash equivalents)	(19,749,477)	4,770,914
Total equity	69,962,149	40,582,686
Net liabilities/(Net cash and cash equivalent) to equity ratio	(28%)	12%

26. Reserves

	2015 $	2014 $
Statutory reserve	2,659,935	1,382,576
Foreign translation reserve	5,566,675	3,386,330
Total reserves	**8,226,610**	**4,768,906**

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 presentational currency of the Group (Australian Dollars).

27. Commitments

Capital Commitments

No capital commitments existed as at 31 December 2015 (2014: nil).

Operating Commitments

No operating commitments existed as at 31 December 2015 (2014: nil).

28. Cash Flow Information

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

	2015 $	2014 $
Operating Profit/(Loss) after income tax	**16,236,799**	**15,302,916**
Non-cash flows in operating surplus/(deficit)		
Depreciation/Amortisation	645,908	537,761
Write-off of property, plant and equipment	-	46,097
Capital raising costs	818,177	-
Share based payment	60,000	-
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	(1,585,893)	(2,550,206)
(Increase)/Decrease in prepayments	600,372	716,455
(Increase)/Decrease in inventory	(1,804,469)	475,398
(Increase)/Decrease in trade payables and accruals	599,188	266,626
Increase/(Decrease) in notes payable	(2,096,223)	1,952,126
Increase/(Decrease) in income tax payable	(448,354)	189,229
Increase/(Decrease) in revenue received in advance	-	(2,398,975)
Cash flows from operations	**13,025,505**	**14,537,427**

29. Financial Instrument Risk Management

Risk management objectives and policies

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

Financial instruments used

The principal categories of financial instrument used by the Group:

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

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

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

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

Interest rate risk sensitivity

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's borrowings are within 1 year, and hence are subject to minimal fair value changes.

Customer concentration risk

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2015 generated 52% ($53,322,808) (2014: 54% $40,516,553) of the Group's revenues during the financial period.

Liquidity risk

Liquidity risk arises from the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

Price risk

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

29. Financial Instrument Risk Management (cont.)

Financial instrument composition and maturity analysis

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

Financial instrument composition and maturity analysis

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 Years		Non-interest Bearing Maturing within 1 Year		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	$	$	$	$	$	$	$	$
Financial Assets:										
- Cash and cash equivalents (Variable interest rate)	0.30% p.a	0.35% p.a	37,727,723	12,587,185	-	-	21,028	47,932	37,748,751	12,635,117
- Trade and other receivables	-	-	-	-	-	-	18,557,430	16,030,378	18,557,430	16,030,378
- Security deposits to suppliers	-	-	-	-	-	-	-	567,099	-	567,099
Total Financial Assets			**37,727,723**	**12,587,185**	**-**	**-**	**18,578,458**	**16,645,409**	**56,306,181**	**29,232,594**
Financial Liabilities:										
- Trade and other payables	-	-	-	-	-	-	4,988,889	3,295,900	4,988,889	3,295,900
- Short-term borrowing	7.66% p.a	8.84% p.a	7,840,746	7,222,268	-	-	-	-	7,840,746	7,222,268
-Notes payable	-	-		-	-	-	3,208,719	5,010,922	3,208,719	5,010,922
-Long-term borrowings	8.50% p,a	-	-	-	422,200	-	-	-	422,200	-
Total Financial Liabilities			**7,840,746**	**7,222,268**	**422,200**	**-**	**8,197,608**	**8,306,822**	**16,460,554**	**15,529,090**
Net Financial Assets									**39,845,627**	**13,703,504**

Credit risk analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

30. Financial Instrument Risk Management (cont.)

	2015	2014
	$	$
Classes of financial assets - Carrying amounts:		
Cash and cash equivalents	37,748,751	12,635,117
Cash advanced to suppliers	-	567,099
Trade and other receivables	18,557,430	16,030,378
Total	**56,306,181**	**29,232,594**

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

31. Controlled Entities

Details of subsidiaries controlled by the Company as at 31 December 2015 are as follows:

	Country of Incorporation	Percentage Owned (%)[1] 2015 %	2014 %
XPD Soccer Gear Group Limited[3]	Australia		
Subsidiaries of XPD Soccer Gear Group Limited:			
- China Soccer Holdings Co., Limited[2]	Hong Kong	100	-[3]
- Jinjiang Chaoda Shoes and Garment Co., Ltd	People's Republic of China	100	-[3]

[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.

[3] 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.

32. Cross guarantee

There is no deed of cross guarantee as at 31 December 2015 or 31 December 2014.

33. Non-controlling interest

No subsidiaries have a non-controlling interest.

34. Parent Information

Statement of Financial Position	$ 2015	$ 2014
Assets		
Current assets	6,163,695	10
Non-current assets	40,582,686	-
Total assets	**46,746,381**	**10**
Liabilities		
Current liabilities	1,723,301	-
Non-current liabilities	-	-
Total liabilities	**1,723,301**	**-**
Net assets	**45,023,080**	**10**
Equity		
Issued capital	46,338,340	10
Retained earnings	(1,315,260)	-
Total equity	**45,023,080**	**10**

Statement of Profit or Loss and Other Comprehensive Income	$ 2015	$ 2014
Total profit (loss)	(1,315,260)	-
Total comprehensive income	(1,315,260)	-

XPD Soccer Gear Group Limited (Parent Entity) was incorporated on 22 May 2014.

The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

The parent entity had no commitments as at 31 December 2015 and 31 December 2014.

35. Company Details

The registered office of the Company is:

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

The principle place of business of the Company is:

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