

XPD Announced 2015 Half-Year Results

Revenue increased by 56.3% to A\$ 46.6 million
NPAT increased by 22.6% to A\$7.2 million

Highlights for the six months ended 30 June 2015

- Revenue increased by 56.3% on a year-on-year basis (YoY) from A\$ 29.8 million to A\$ 46.6 million
- Gross profit margin increased by 2.5% YoY to 33.5%
- Net Profit after Tax increased by 22.6% from A\$ 5.9 to A\$ 7.2 million
- The basic and diluted earnings was 2.73 cents per share
- Strong balance sheet with sound operating cash flow
- Number of distributors in China increased to 237 from 226 at the end of 2014
- Number of retail outlets grew to 2,010, representing a net increase of 72 outlets from the end of 2014

XPD Soccer Gear Group Limited (XPD or the Company and its subsidiaries, together called the Group or We, ASX Code: XPD) announced its half-year results for the six months ended 30 June 2015.

Business Review

During the first half of 2015, sales of XPD sportswear products experienced another round of growth thanks to on-going changes in lifestyle and supportive policies of the Chinese Government. Coinciding with the Chinese Central Government's move to make soccer a compulsory part of the school curriculum for the nation, and its efforts to promote soccer among youngsters, the demand for XPD soccer sportswear has been growing significantly.

The Group reported a strong set of results for the first half of 2015, with revenue increasing by 56.3% to A\$ 46.6 million over the comparative period last year. Gross profit margin gained a further 2.5% YoY to 33.5%. NPAT increased by 22.6% YoY to A\$7.2 million, notwithstanding the impact of costs associated with the initial public offering of the company in May 2015, and increases in staff costs and marketing expenses.

The basic and diluted earnings amounted to 2.73 cents per share.

The Group continued its focused marketing strategy in soccer products. XPD has strengthened its marketing and promotion in soccer through various sponsorships at school, college, university and professional levels, and has introduced the unique concept of “Campus Soccer” and “Joyful Soccer”. XPD has innovatively introduced a “school + XPD + soccer club” model, whereby the three parties work together to encourage more students in schools to participate in soccer and in doing so gain access to XPD soccer products. This model was piloted in several local schools in Jinjiang city and received widespread praise and support.

In addition, XPD employs various means of promotion including television commercials, outdoor media, online advertising, newspapers and magazines and sponsorship. As a result, revenue contributed by soccer sportswear increased by 55.9% compared to corresponding period in 2014.

The Group continued to expand its distribution network with an emphasis on its competitiveness in second, third and fourth tier cities in China. The Group increased the number of distributors in order to expand market coverage and deepen market penetration. As at 30 June 2015, XPD had 2,010 retail outlets throughout China, representing 72 net additions compared with outlet numbers at the end of 2014.

XPD recognises the significant growth potential in the e-commerce market in China. The Group conducts e-commerce business through various leading online platforms such as Tmall, JD and Paixie. During the period, XPD soccer boots ranked as a top seller on Tmall in terms of volume. The Group also established an e-store on the largest social media in China, WeChat. Through the WeChat store, consumers can view products, place orders and make recommendations to friends through a social media platform from their mobiles.

Commenting on the results, **Mr. Andrew Smith, Deputy Chairman**, said “We are delighted to announce such a strong result, this being our first such announcement to the ASX since our listing on 21 May 2015. Underlying conditions in our market in China remain positive across all lines. With strong balance sheet, XPD remains well placed to take advantage of future growth opportunities ”

Mr. Jiameng Zhang, CEO and Executive Director, commented, “China’s Soccer Reform policy presents us with a golden opportunity to expand domestic markets and further develop the XPD brand. Going forward, we will continue to improve brand management and marketing to enhance our image and reputation as we strive to become one of the world’s leading sports brands with a focus in soccer.”

Outlook

We remain confident that the soccer sportswear sector will continue to grow in China due to growing passion for soccer across the community and unprecedented government support for soccer by Chinese national and provincial Governments.

We will continue to focus on enhancing our brand and reputation in China through marketing, promotion and sponsorship. Whilst the Group maintains a competitive pricing mechanism to meet consumer demand with high value for money ratio, it will also ensure quality through continued commitment to research and development to further enhance XPD's professional brand image.

Leveraging our success in soccer, XPD has strategically identified badminton, table tennis and running as other key areas for growth in future.

We will continue to appoint new XPD distributors and encourage our distributors to open more retail outlets of their own and attract third party outlets.

We will also replicate our "school + XPD +soccer club " model to other cities and provinces to drive sales of campus soccer sportswear.

Whilst online sales currently represent a small percentage of sales, we see this sales channel as important to our future and will continue to grow it.

XPD will continue to invest in research and development and technological innovation and recruit highly qualified design and development personnel. Quality product and superior technology can help increase consumer's confidence and attract new customers. We will continue to apply for more patents to protect the company's technology.

We will explore broadening our markets to other countries in South-east Asia and Australia.

About XPD Soccer Gear Group Limited

XPD Soccer Gear Group Limited is a leading and fast-growing sportswear business in China. The Company listed on the Australian Securities Exchange on 21 May 2015.

The company is primarily engaged in the design, development, manufacturing, marketing and distribution of sportswear products under the "XPD" brand. XPD has a focused branding strategy on soccer products including soccer boots, soccer gear and accessories.



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XPD has established an extensive supply chain management system through in-house and sub-contracted manufacturing operations; and an extensive distribution network throughout China.

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