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About Us



- ASX listed, XPD Soccer Gear Group Limited is a leading and fastgrowing sportswear company in China with a history back to 1992
- The Company has developed a vertically integrated business model, through which it designs, develops, manufactures, markets and distributes sportswear products under the "XPD" brand
- XPD has a focus on soccer products, shoes, apparel and accessories
- The Company extensive supply chain management system through in-house and sub-contracted manufacturing operations
- XPD sells throughout China, utilising a widespread distributor and retail network
- XPD strives to consistently build shareholder value through the timely and efficient execution of its strategies

Company Snapshot



Corporate	ASX Code	XPD
	Share Price	A\$0.15
	Shares on Issue	434,534,634
	Market Cap	A\$65.1m
Board of	Mr Andrew L Smith	Chairman
Directors	Mr Shui-Chiao Chang	Deputy Chairman
	Mr Andrew J Plymton	Non-Executive Director
	Mr Robert Gibson	Non-Executive Director
	Mr Jiameng Zhang	MD and CEO
	Ms Peiya Zhuang	Executive Director



Financial Highlights

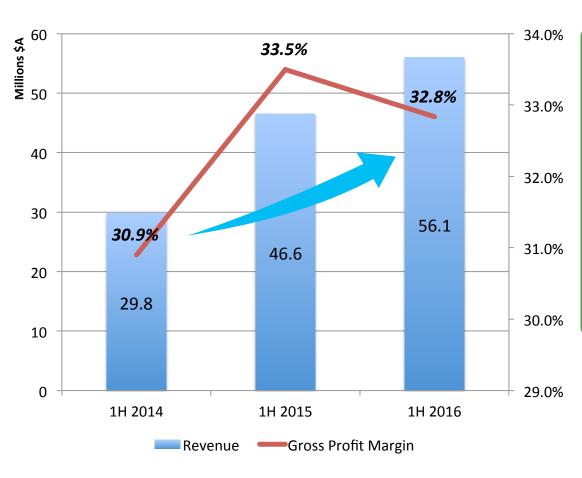


A\$ million	30 June 2016	30 June 2015	Change
Revenue	56.1	46.6	+20.0%
Gross profit	18.4	15.6	+17.9%
Profit before tax	6.6	10.1	-34.6%
Net profit for the period	4.7	7.2	-34.7%
Gross profit margin	32.8%	33.4%	-0.6pp
Net profit margin	8.4%	15.5%	-7.1pp
Basic earnings per share (A\$ cents)	1.19c	2.73c	-1.54c
Retail Display Refurbishment (one off)	5.9m	-	-
Underlying NPAT	8.9m	-	-

Revenue and Gross Profit Margin



Sustainable Revenue Growth and Stable Gross Profit Margin



Exchange rate used 1H 2016 average rate RMB:A\$=0.2085 1H 2015 average rate RMB:A\$=0.2087

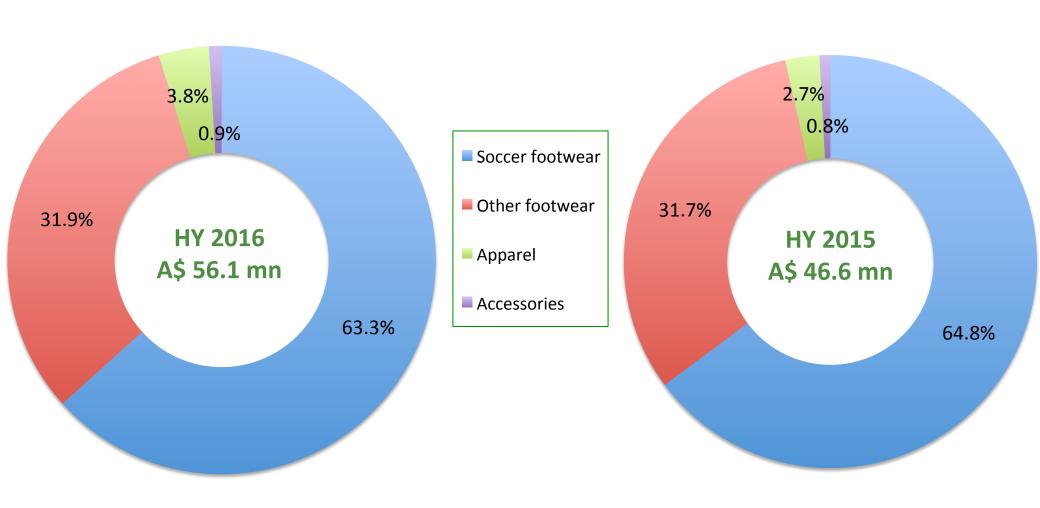
- Revenue growth continues the trend of the past 3 years, driven by professional soccer footwear with better quality, new design and increased ASP
- XPD Junior series of soccer footwear well received in the market
- Gross profit margin maintained at 33%
- Estimated 2016 full year revenue of A \$115m-120m (assuming pre existing exchange rates)

RMB Million	HY2016	HY2015	Change
Revenue	268.6	223.1	+20.4%
Gross profit	88.2	74.7	+18.1%

Revenue By Product Categories

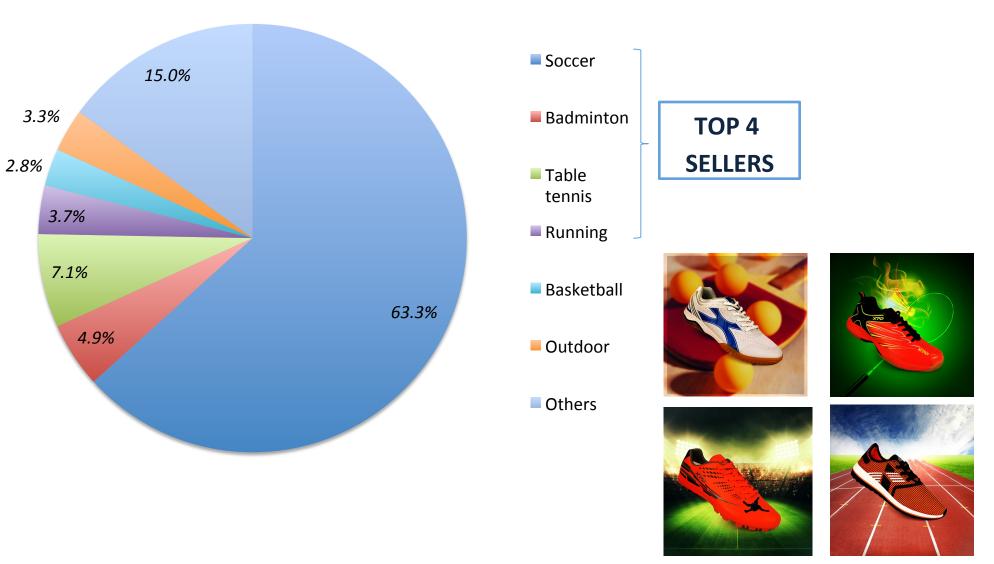


Soccer footwear remains as the revenue driver



Footwear Revenue HY 2016





Net Profit



A\$ million	30 June 2016	30 June 2015	Change	30 June 2014
Profit before income tax	6.6m	10.1m	-34.6%	7.8m
NPAT	4.7m	7.2m	-34.7%	5.9m
Net Profit Margin	8.8%	15.4%	-6.6%	19.8%
Underlying NPAT (removing one off retail refurb expense)	8.9m			
Underlying NPAT Margin	15.9%			

- Increased expenses in advertising and promotion activities (now approx 6% of turnover) and increase in administration costs.
- Adjusted NPAT bought about by one off retail refurbishment costs in 600 retail stores

Solid Balance Sheet



A\$ million	30 June 2016	31 Dec 2015	Change
Current Assets	72.8	64.5	+12.8%
Current Liabilities	18.6	17.6	+5.7%
Net Current Assets	54.2	46.9	+15.6%
Net tangible assets per share (A\$ cents)	17.34	15.95	+8.7%

Net Cash & Operating Cash Flow



As at the period/year end date

Net Cash & Bank Balances

A\$ million	30 Jun 2016	31 Dec 2015	Change
Cash and bank deposits (including pledged deposits)	44.7	37.7	+18.6%
Less: Bank loans	(7.9)	(11.5)	-45.6%
Net cash & bank balances	36.8	26.2	+40.5%

For the period

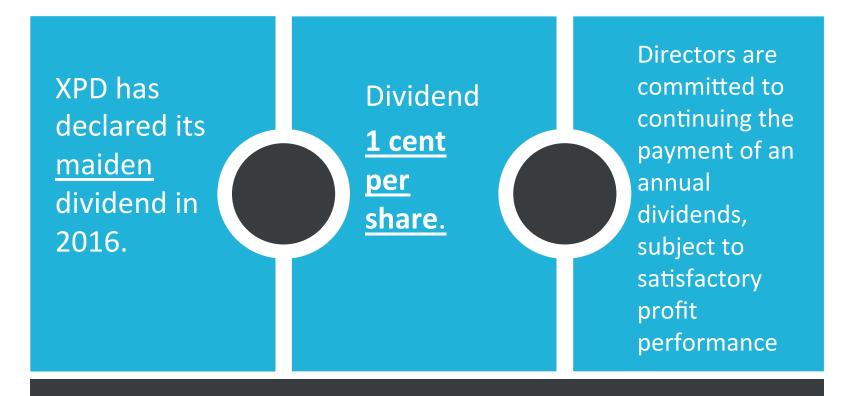
Operating Cash Flow

A\$ million	30 Jun 2016	30 Jun 2015	Change
Net cash flow generated from operating activities	2.9	3.4	-17.2%

- Cash balances as at 30 June 2016 have increased from A\$37.7 million to A\$44.7million. This increase is primarily caused by the capital raising to Distributors (strategic partners) in May 2016 and positive net cash inflow from operations.
- XPD remain financially strong and conservative

Dividend – Key Milestone





Alongside the Dividend, XPD introduced a Dividend Reinvestment Program, enabling loyal shareholders to convert their dividend into shares.

2016 Half Yearly Review



Operational Highlights

- 2016 Strategic plan released
- Appointment of additional distributors and retailers
- Retail display refurbishment program
- Campus soccer
- Increasingly use of new social medias to promote XPD brand and products, whilst continue with traditional means of promotion and sponsorships
- E-commerce
- Research and development initiatives
- Expansion of production capacity
- Announcement of share buy back scheme

Brand Development

∜/X7∂

- Brand development focussed on grass roots
 marketing and promotion in Tier 2, 3 and 4 cities
- Advertise and promote XPD brand and products through conventional methods (commercial TV, exhibition, magazines etc.)
- Advertising and promotion costs now grown to
 6% of revenue and will continue
- Sponsor football leagues and football clubs with a focus on grassroot soccer communities and schools and colleagues
- Campus Soccer an alliance between "local school+XPD+local soccer club
- Established partnerships with many Chinese youth football education and training services providers, who will promote XPD products through their events















Distribution



Distribution network

- Number of distributors in China increased to 240
- Number of retail outlets
 for XPD reached 2,100
- Sales fairs were held in November 2015 and June 2016



Retail Display Refurbishment Program



- Upgrade to internal and external signage
- New product displays and racking
- XPD incurred cost to ensure consistency of presentation and display in all retail outlets
- Total cost A\$5.9 million in first half of 2016
- Average cost RMB 40,000 50,000 per store (A\$8 10,000)
- 600 stores refurbished in the first half of 2016
- Roll out to continue in second half. Est A\$2 million

















Social Media and E-commerce



- XPD has self-operated webstores on leading online platforms in China, namely Tmall, JD & Paixie
- XPD authorises 3rd party online retailers to sell our products on their webstores
- XPD supports the growth in its brand through social media promotion activities
 - Launched "I am the Captain", "Little Captain" and "Baby Football" campaigns on social media to encourage amateur soccer
 - Launched soccer cheer squad recruitment campaign on social media







Sales and Production



- Responsive to market changes through strategic mix of in-house and outsourced production
- 4.7m pairs of footwear produced Jan-June
 2016 (70% in-house production)
- 4.5m pairs of footwear sold Jan-June 2016
 (3.1m soccer)
- Apparel and accessories increase from 230,000 to 368,000 pieces (outsourced production)
- Jinjiang production facility (4 production lines) at full capacity with 6.8m pairs produced in 2015



Henan Production Facility





Henan Yuanlong Development





XPD holds 28% equity interest in Henan Yuanlong Industrial Co Ltd and invested approx. **A\$15 million** in Yuanlong since 2013

Henan Yuanlong purchased a land of 324,000 square meters in the Sui County of Shangqui City, Henan Province. The land is under development in 3 stages. Henan Yuanlong finished construction of 8 factory buildings and 2 dormitories in stage 1

XPD equity accounted a loss of \$400,00 in first half of 2016 for the JV

XPD has announced it will make no further capital investment in the JV

XPD has leased two factory buildings (15,000 sq mtr) and one dormitory building for the purpose of installing shoe/boot manufacturing lines

Photos of Henan Yuanlong (billboard)





Photos of Henan Yuanlong (factories)





XPD Production Plans in Henan



Machinery and equipment being purchased in August/ September, with production commencing in the 4th quarter

Delays in plans as a result of weather extremes, heat wave and floods.

XPD plans to initially install two production lines, each with a capacity of 1-1.5m pair pa. Expand to five lines in the next 2 to 3 years

Capital cost \$4m (\$2m per line)

Fully budgeted in 2016



Research and Development



- Increased in-house R&D team from 45 people to 50 in the 1st half of 2016
- Built a database of 10,000 junior foot samples developed to analyse foot shapes, which will lead to more suitable and more comfortable footwear for Chinese youth
- Applied technologies such as superlight, strong grip soles etc.
- Continued to maintain cooperative relationships with external studios and research institutions
- Improvements to design, modeling and style selection of footwear
- Introduction of cutting edge fabrics in footwear and apparel





Favorable Government Policies



No. 46 Guidance issued by the State Council

The State Council issued "Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption" (No. 46 Guidance), which clearly outlined that by 2025:

Target industry
size of
RMB 5 trillion

500 million population regularly engage in sports

According to the statistics of the General Administration of Sports, the target industry size of nearly RMB7 trillion by 2025, exceeding the original RMB5 trillion target set out in the No. 46 Guidance

The 13th Five-Year Plan announced in 2016

The Chinese government released the 13th Five-Year Plan with targets of China's sports industry development, pointing out that:

- The Chinese governmentwill continue to carry out the reform of sports industry
- The total size of national sports industry will exceed RMB3 trillion by 2020
- The number of people participating in regular sports training will reach 435 million by 2020
- The Chinese government will continue to execute its soccer scheme, and is committed to promoting winter sports development in the whole country

Reformation of soccer policies issued in March 2015

- Increase the number of soccer schools to promote soccer for the youth population, from 5,000 now to 20,000 schools in 5 years and 50,000 in 10 years
- Students in these schools are required to take at least one soccer class per week and attend soccer camps during summer/winter vacations

Chinese soccer mid-long term development plan

■Released by National Development and Reform Commission (NDRC) in April 2016

Short-term Objective:

- ■Increase the number of soccer academies to 20,000
- •Over 30 million students will participate regularly in soccer. The number of people participating in soccer regularly in the whole society will exceed 50 million
- Establish a solid foundation for soccer sports, to establish over 70,000 soccer pitches, or 0.7 football field per 10,000 people



Strategies for 2016/2017



- Further enhancing XPD brand awareness and image
 - Marketing and promotion expenses expected to be in the range of 5-6% of revenue
 - Corporate mission expanded to embrace XPD customer loyalty
 - Continue to sponsor soccer teams and clubs with a focus on grassroots soccer communities and junior soccer players
 - Identifying opportunities for international distribution of XPD products
- Increasing distribution networks and channels in China
- Focusing on soccer sector while increasing sales in sportswear for other sports categories in particular badminton and table tennis.
- Continue to invest in R&D to develop new generations of soccer footwear and develop winter sportswear
- Ramping up in-house production capacity
- Potential acquisitions which facilitate upstream and downstream integration and extend value chain

Top 20 Shareholders (exclude escrowed shares)



Top 20 Holdings as at 02-09-2016

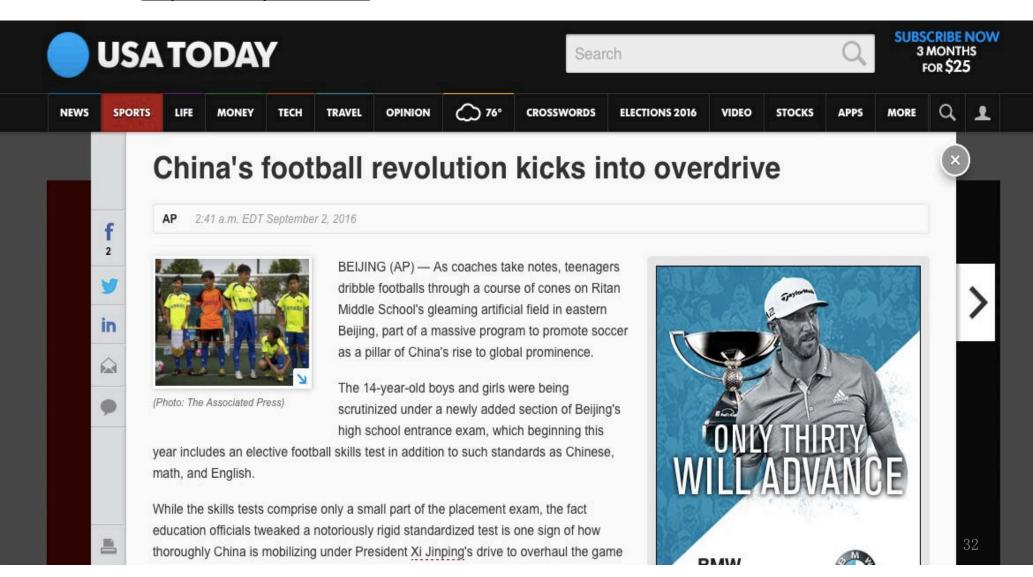
XPD Soccer Gear Group Limited

Fully Paid Ordinary Shares

Holder Name	Balance as at 02-09-2016	%	
CITICORP NOMINEES PTY LIMITED		87,149,304	43.634%
MS MENG MENG DONG		7,415,345	3.713%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		5,270,000	2.639%
PACIFIC DEVELOPMENT CORPORATION PTY LTD		3,000,000	1.502%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <st a="" c=""></st>		2,860,000	1.432%
MENGSHUDA GROUP CO LTD		2,704,220	1.354%
DOUGLAS FINANCIAL CONSULTANTS PTY LTD		2,000,000	1.001%
ROADRUNNER SYSTEMS PTY LTD		2,000,000	1.001%
ROAD RUNNER SYSTEMS PTY LTD <tibetopo a="" c="" f="" s=""></tibetopo>		2,000,000	1.001%
BRIDGE GLOBAL CAPITAL MANAGEMENT LTD		1,948,640	0.976%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <cw a="" c=""></cw>		1,840,000	0.921%
HALCYON NOMINEES PTY LTD <halcyon a="" c="" fund="" super=""></halcyon>		1,600,000	0.801%
MR ANGUS DOUGLAS		1,500,000	0.751%
MR JIAMENG ZHANG		1,422,771	0.712%
MR TIMOTHY MOUNTJOY		1,200,000	0.601%
BTP ASSETS PTY LTD <btp a="" assets="" c="" fund="" super=""></btp>		1,200,000	0.601%
BFA SUPER PTY LTD <gdn a="" c="" fund="" super=""></gdn>		1,193,415	0.598%
BRAZIL FARMING PTY LTD		1,000,000	0.501%
PETER N HENDERSON PTY LTD <super a="" c="" fund=""></super>		1,000,000	0.501%
GOLDEN LAND TASMANIA PTY LTD		1,000,000	0.501%



Link: http://usat.ly/2bV5PcU







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