



XPD Soccer Gear Group Ltd  
Shareholder Update  
30 May 2016

# Operational Update

## 2015/6 Milestones

1. ASX Listing 21 May 2015.
2. 2015 Revenue A\$102 million. (RMB480 million).
3. Gross Profit margin 33%.
4. NPAT A\$16 million.
5. Net cash flow from operations - A\$13 million.
6. Maiden Dividend declared - 1 cent per share.
7. Footwear production 8.3 million pairs
8. Soccer gear represents 65% of production
9. Retail distribution at 31 December - 2062 stores
10. Key strategic Distributors become shareholders of XPD

# Operational Update

## Results to 31 March 2016

- Revenue A\$29 million (2015 Revenue A\$24.2 million) up 19.7%
- Revenue RMB138 million (2015 Revenue RMB120 million) up 15.1%
- Gross Profit margin maintained at 33%.
- NPAT A\$5.3 million. RMB24.8 million
- NPAT margin improved to 17.9% compared with FY 2015 of 16.2%
- Net cash at Bank after borrowings and Notes A\$29.7 mill

# Operational Update

## Results to 31 March 2016

- Sold 2.5 million pairs of footwear – 1.6 million in soccer
- Retail distribution at 31 March - 2070 stores, up 8 stores in 3 months
- Social media marketing campaign “I am the Captain”
- Campus Soccer campaign expanding across Provinces



# XPD Strategic Planning

2016, 2017, 2018



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Part one

# Analysis of Macro Market

# Analysis of Macro Market

- In 2014, the Chinese government, for the first time, raised the subject of people's fitness as a national issue requiring a national strategy to address it.
- An national reform plan designed to boost the development of football in China was issued by the State Council General Office on March 16, 2015.
- The State proposed the development of football across the country at campus level, integrating football into PE teaching and increasing the hours of teaching in football. The Plan included integrating football development into the PE teacher's "national training plan" and rapidly developing the number and skills of campus football teachers.
- Construction of football fields was incorporated into urbanization planning and new rural construction planning
- The Ministry of Education has made football a compulsory part of the national curriculum. By 2020, the total number of schools specializing in football will rise to around 20,000 (currently 8627). By 2020, over 30 million students will be playing soccer regularly. By 2025 - 50,000 schools will be involved. Government plans extend to 2050 with China determined to be a "top class soccer nation"



## Macro Market (continued)

- The Ministry will support the development of 200 high level football teams.
- As a part of a National Campus Football Competition program, the Ministry plans to organize elementary school, middle school, high school and college football training and league competitions, and once talent is identified, send selected recruits to developed soccer nations for training.
- The program includes the introduction of internationally renowned football coaches to train campus football teachers.
- China will set up a National football sports management center, and the Provinces will also established football sports management centers.
- China has ushered in the unprecedented development of football throughout the country.

Part two

# Management Structure and Production Systems

# Management Structure and Production Systems 2016 – Key Management Drivers

- XPD is always striving to improve its management structure, systems and processes.
- The company is currently undertaking an in depth review to improve the management architecture and efficiencies within the business. The study will include review of the foreign trade business, production management, and marketing. The findings are expected to be delivered before the end of 2016.
- XPD is also studying how it can further enhance the presentation of its products.
- Improvements are planned to XPD's retail display terminals, POP, product presentation, lighting and music with the goal of a single, consistent and enhanced presentation standard, so as to provide consumers with a better shopping experience, and to enhance consumer awareness of XPD brand image and reputation.

## 2016 – Key Management Drivers (continued)

- The company has identified youth football as a significant growth area. Therefore it intends to strengthen its youth product range following targeted research and development.
- To meet this growing market demand, XPD has developed the following themes and initiatives:
  - Campus soccer – a cooperation between “school + soccer club + XPD”
  - a range of "youth" series products.
  - joint agent distributor
  - in-depth cooperation with provincial and local Department of Education and through them, those responsible for physical education,
  - sponsorship and equipment support around football education.
- XPD is focused on the development of the “XPD” soccer club, and support of the national amateur league.
- At the same time, the company is involved in the broader based grass roots development of football and the market opportunity that is created.

# XPD Production

- XPD is located in the world's largest sports shoes production district, Jinjiang City, Fujian Province
- Within the city there are shoe material suppliers, component manufacturers, and finished goods manufacturers plus logistics and service providers.
- XPD strives to be the most well known Chinese brand in football boots in the country.
- Because of production at XPD in Jinjiang is reaching near full capacity , the company has invested in a joint venture property development company, Henan Yuanlong Industrial Co Ltd (HY), with the intention of leasing factory space from HY and installing new shoe manufacturing lines.
- HY has purchased land amounting to 460 mu (306,667 square meters) in Henan Province, and has built 8 factories and 2 staff dormitories. The factories are ready for lease.

## XPD Production (continued)

- XPD will consider leasing two factories.
- It is intended to install 2 production lines in Q3 of 2016, and expand this to five lines in the next 2 – 3 years
- 2016 Capital Expenditure A\$2 million for 2 lines.
- Production capacity in 2017 expanded by approximately 2 million pairs per year
- Henan is:
  - one of the largest inland provinces, with an economy growing by 8% pa.
  - the third most populous province (94 mill people),
  - with labour costs lower than those in coastal provinces.
  - well located in China and has become a major logistics centre, and
  - is moving its economy from agriculture and heavy industry by encouraging higher value industrial development, hi-tech manufacturing and IT.
- Since 1992, the company has accumulated invaluable knowledge and experience in production technology and quality control, together with a strong team involved in product research and development.
- XPD will use this all of this knowhow in its installation of the new shoe lines in Henan.

Part three

# Multi Channel Development Plan

# Multi-channel Development Model

- **“Distribution”**——XPD is committed to its existing marketing network using third party distributors and retailers, and continues to consolidate the "sales agent" as the main marketing channel. The company will strive to strengthen its national sales network layout, steadily expanding the size of the channel, improve service levels and brand culture, enhance the company brand influence.
- **“Nationwide cross-border Cooperation”**——XPD is currently featured on and advertising in an specialised football industry app for mobile phones.



# Multi-channel Development Model

- **“Overseas Strategy”**——XPD plans to explore and develop the South East Asian and Australian distribution and retail market opportunity, including online sales channel including selective sponsorship of youth football in Australia.
- **“E-Commerce”**——Continue to strengthen the use of third-party online platforms, such as JD, Tmall, Paixie. Strengthen the B2C website construction. Build XPD online mall. Invest in the online supply of personalized custom products. Develop and construct mobile terminal sales platform, to build the XPD micro stores, improve the consumer mobile end buying experience.

Part four

# Brand Marketing Plan

# Brand Marketing Plan

XPD recognizes the importance of its brand development. The company's goal is to cement its position through widespread recognition that it is the premier Chinese brand in soccer gear.

Initiatives include:

- hiring professional and experienced marketing managers to further develop XPD's brand identity, brand planning and development, and company image.
- "I am the Captain" marketing and social media program
- Adopt "enjoy happy soccer" in the company's mission,
- Increase investment in product research and development with
  - Emphasis on the shoe comfort for the players
  - Use of high tech materials
- Launch fashionable XPD apparel range
- Enhance the core competitiveness of the company.

# Full Multi-media Platform

**“Brand Marketing”**——Following a recent enhancement to the XPD brand image in the exhibition display booth, further marketing activities include the themes - "I am the Captain," "Little Captain", "Baby Football" and a series of other brand development activities.

Professional networks, forums, and mass media will be utilised to enhance consumer’s XPD brand awareness and XPD’s reputation.

**“Sports Events”**——The company will sponsor a series of grass-roots teams and school football teams.

Marketing and brand development will be enhanced through universities, professional events and grass-roots levels events.

The company plans to operate its own “XPD” football club in National Amateur Football League in order to expand the brand influence.

## Full Multi-media Platform (continued)

**“Advertisements”**——Advertising will include electronic media including television, print media, professional sports media, urban roads outdoor advertising, online media and mobile media etc. to fully spread the XPD brand and brand culture, all designed to effectively enhance the visibility and influence of brand .

**“Public Platform”**——Build a social media platform - Brand marketing by Wechat, Microblogging, Tieba, Micro-sites, Corporate Baike, etc. Release brand information, plan brand hot news releases, regularly communicate with public and consumers in-depth.

Part five

# The Mid to Long Term Development Plan

# The Mid- and Long-Term Development Plan

## First Soccer Gear Brand in China

**“Public Welfare Plan”** ——XPD plans to donate to build an XPD Football Hope School in poor areas of China each year. XPD is committed to contribute to society by providing XPD football equipment, so that children in poor areas also have the opportunity to play. This year plans to build in Changting County, Longyan City, Fujian or Ningde City, where we have been in the positive negotiation.

**“Strategies of Direct Marketing”** ——As a part of the company’s expanding strategies of direct marketing, we will consider the merits of direct retail via a flagship store and standard stores. A flagship store enables us to test core brand displays, standard store would be aimed at large-scale sales. The company will continue to encourage the distribution/retail model enhanced by improved marketing and brand development in order to achieve win-win situation with the company's dealers. Plan to achieve 2500 retail sales outlets in the next two years.

# The Mid- and Long-Term Development Plan

**“Overseas Expansion”**— With the continued growth in football and with the internationalization of the football competition, explore and develop overseas markets. Using the reputation and resources of an ASX listed company, investigate markets in Southeast Asia and Australia via distributors and internet sales..

**“Brand Champion”**——Plans to hire well-known Australian or Chinese football player as brand ambassador and company spokesperson. In the future, will create a "star strategy" combining "Star Player + Star Event + Star Products", to start a new product marketing model. Strengthen "personalized custom" products .





**THE END**