



# China Sporting Goods Information

English  
Version

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## *Explore the New Territory*

**China Sport Show 2019**

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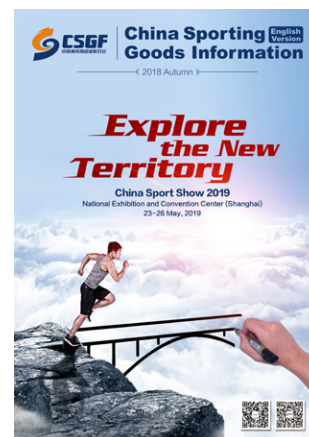
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## Martial Arts Equipment Committee of CSGF Founded in CSGF Headquarters

The Martial Arts Equipment Committee of CSGF was founded and held its first working meeting in CSGF headquarter on August 24. During the meeting, 12 key companies, as co-founders of the committee, gathered in Beijing to discuss the committee's future development. The companies

reviewed the preparation works of the committee at the meeting, formulated important agendas, approved the Rules for Members of the Martial Arts Equipment Committee of CSGF, and elected the first chairing company and deputy chairing company.



## Second Working Session of the 1st Artificial Grass Committee in 2018 Held in Beijing



The 2nd working session of the 1st Artificial Grass Committee of CSGF was held in Beijing on September 7, 2018 and discussed recent works and future plans of committee during the meeting.

According to discussions, the representative

member meeting of the Artificial Grass Committee will be held in Beijing at the end of this year and a new chairing committee will be elected during the meeting.



## Second Working Session of the 2nd Standard Technical Committee of National Sporting Goods Held in Beijing

The 2nd working session of the 2nd Standard Technical Committee of National Sporting Goods was held by the Standard Technical Committee of National Sporting Goods (hereinafter referred to as “STCNSG”) and CSGF in Beijing on October

30. The meeting reviewed and discussed works of STCNSG in 2018 and the plan for 2019, announced the membership adjustment decision and rewarded advanced companies and individuals of STCNSG during 2013–2018.





## Representatives of CSGF participated in WFSGI Bi-Annual Meeting 2018



On 7th September 2018, Mr. Li Hua, President of CSGF, Ms. Hou Qiuling, Deputy Secretary General of other two of China Sporting Goods Federation (hereinafter referred to as CSGF) visited London for World Federation of Sporting Goods Industry (hereinafter referred to as WFSGI) Bi-Annual Meeting.

WFSGI is the world authoritative body for the sports industry officially recognized by the International Olympic Committee (IOC) as the industry representative within the Olympic Family. CSGF has become member of WFSGI since 2001 as full representative of Chinese sporting goods industry.



# Preparation for China Sport Show 2019 is Underway – Exhibitors for Various Zones are Invited



## I. Fitness Zone Attracts Numerous Exhibitors

As the most highlighted zone of China Sport Show, the fitness zone reflects the expansion and strong development momentum of the fitness industry. The fitness zone will provide a one-stop solution for various demands of scientific fitness.

The fitness zone of China Sport Show 2019 has a planned display area of 100,000 m<sup>2</sup>. So far, 280 companies have confirmed participation in the show zone, with a total exhibition area of 38,000 m<sup>2</sup>, which exceeded 75% of the estimated sales area.

China Sport Show 2019 will conduct various activities in addition to its original supporting activities, including academic workshops on recovery, appraisal and recommendation of creative products, special trade talks and launch of new products in order to improve the efficiency and versatility of the show for exhibitors.

Besides, to implement the Youth Sports Promotion Program issued by General Administration of Sport, Ministry of Education and Central Civilization Office, China Sport Show 2019 will make continuous efforts to set up the Youth Sports Equipment Zone and Youth Training Activity Zone and expand the exhibition to push forward development of youth sports.

## II. Sign-up and innovation of Stadium Facilities, Construction and Flooring Zone are underway

Steady progress has been made in the first three weeks of the signing-up process of China Sport Show 2019. In last regular meeting of the exhibition organizing committee, directors of various zones reviewed the sign-ups of companies. Based on the sign-up data, the sign-up processes for various zones are advancing steadily but have different characteristics.

The stadium facilities, construction and flooring zone is well-known for its professional configuration.

“Safety, environmental protection and innovation” has always been the keynote and development direction of zone planning. According to analyzing institutions, smart stadium, as a future trend, will be pushed forward to meet the requirements of sport events, the development of Internet of Things and big data, and to improve the stadium management and audience experience.

The stadium facilities zone of China Sport Show 2019 will further improve its layout and structure. To provide the best exhibiting effect and convenience for visitors and buyers, all exhibition halls were moved from the 2nd floor to the 1st.

In just three weeks, the sign-up area of stadium

zone of China Sport Show 2019 reached 77% of the overall exhibition area of last year, attracting numerous exhibitors. Driven by the strong fitness demand and upgrade of stadium technology, the stadium industry will finally make new progress after 5 years of development of the sports industry since 2014.

The stadium facilities, construction and flooring zone has been focusing on professional industry segmentation. Every segmented industry will showcase a variety of well-known brands this year.

Various zones of China Sport Show 2019 will further present stadium solutions in the aspects of infrastructure, supporting facilities, smart management, stadium operation, public fitness management and customer experience upgrade.

### III. Sportswear, Outdoor and Leisure Zone and Ballgames, Racket Games and Combat Sports Zone Make Steady Progress

The comprehensive zone is the most versatile display area of the China Sport Show. Based on product characteristics, it provides a small planned area for diversified products, including shoes, sportswear, big and small balls, skateboards, roller skating, skiing and outdoor water sports equipment,

and combat sports equipment. Meanwhile, inspection, certification and standardization institutions of sporting goods will also take part in exhibition in this zone.

About 150 companies signed up in the first month of the signing-up process, with a total sign-up area of 8,600 m<sup>2</sup>. The ballgames zone and the sportswear, outdoor and leisure zone cover a sign-up area of 5,000 m<sup>2</sup> and 3,600 m<sup>2</sup> respectively, making new highs of the China Sport Show.

Since the recent two exhibitions of China Sport Show, multiple sporting goods inspection institutions that serve exhibitors have paid attention to the advantages of China Sport Show and partaken part in the exhibition. Standard formulation, inspection and certification of sporting goods serves as the bridge between the sporting goods industry and the sports service industry. Reliable products are the sports prerequisite for the development of the service industry. Therefore, supervising institutions of sporting goods wish to connect more closely with sporting goods companies in recent years, and the China Sport Show provides the best platform for such connection. Institutions such as National Quality Supervision and Inspection Center for Sporting Goods will take part in the exhibition.





## Merchant Survey in Chinese Sporting Goods Mall in Linyi

During the marketing activities (Linyi) of China Sport Show 2019, the organizing committee headed for the Chinese (Linyi) sporting goods mall on October 25 to visit distributors taking part in the exhibition over many years and conduct survey on channel distribution.

Since early 2016, the managing organization of Linyi sporting goods mall and local associations have organized local merchants to visit China Sport Show and conducted business activities to connect

merchants with exhibitors and other visitors. Local merchants showed interest in the new products, designs and materials displayed in the exhibition. According to the survey, the major product categories of the merchants include football, basketball, volleyball, ping-pong and badminton gears, roller staking boards, indoor fitness equipment and outdoor products. About 65% of the merchants have sold products abroad.





## Visits to Sporting Goods Companies in Yongkang and Yiwu

On September 11–14, 2018, as an important part of exhibitor invitation process of China Sport Show 2019, the organizing committee visited sporting goods companies in Yongkang and Yiwu, Zhejiang province.





# Application of AI and Blockchain in the Sports Industry



On September 21, Sino-Swiss AI Conference 2018 was held, with the theme of “AI fuels future”. The meeting received strong support from the China Academy of Information and Communications Technology and China Green Industry Foundation. Tsinghua University, Beijing University and EPFL also joined the meeting.

Bai Qiang, founder of vSport gave a speech during the meeting with the subject “application of AI and blockchain in the sports industry”. He mentioned that vSport blockchain seeks to provide a value assessment system for the sports industry. The system is based on distributed artificial intelligence (DAI) and sports values with self-evolution and aims to assess the values of every individual, company, club and association in the industry through AI, big data and models. The sports value assessment model provides five factors: popularity index, interaction, contribution, engagement and individual image.

Bai Qiang’s explanation of “the relationship between technological development and market requirements” attracted the attention of media and professionals from various sectors. He emphasized that technological development is demand-oriented, and technological discussion without a demand ground is meaningless.

Bai Qiang believes that AI and blockchain should go beyond the circle limitation and under real demands to meet the needs of the public. He gave a vivid example -- if fishes in a tank only eat each other’s bubbles and do not swim in the river, they will be desperately in need of oxygen. The AI and block chain industries face a similar problem currently.

He also noted a misunderstanding of some

experts and professors on the development of blockchain -- they think blockchain is still at the early stage, and an operating system is needed before applications can be developed. But according to Bai Qiang, although the first PCs were based on technology, it was the large market demands, which attracted more companies to research PCs and boosted the development of operating systems and chips. Without the use of operating systems and chips, no capital would be directed into the industry, and no technological progress can be achieved. Therefore, technological development is driven by real demands.

He also mentioned certain lessons in the technological circle. When RFID Internet of Things was developed, an RFID exhibition attracted more than 5,000 visitors and more than 300 exhibitors. However, a small circle only has a small market. With a small profit, technology became a game of self-amusement.

Therefore, Bai Qiang believes that technological innovation companies should discover real demands in various industries. For example, blockchain could produce real value in the sports industry because the sports industry has irreplaceable and strong demands for blockchain. The sports industry face three problems: a lack of business models, low profitability and sluggish capital export. By using the blockchain, the sports industry can concentrate values and create influence to solve the above problems.

Bai Qiang explained the solutions: Firstly, the token economy of blockchain has a stronger pulling force than the Internet and more transparency than crowd funding. With clear returns, it can reform the business model of the sports industry. Meanwhile, token economy can integrate resources of all types of business in the blockchain, and fairly allocate interests via work quantity records in order to elevate profitability. Finally, tokens can be combined with the resources and influence of the sports industry to meet the rigid demands of all types of business, create public chains and purses throughout the industry and achieve effective capital export.

Source: Dongchanet.com

# News on Investment and Financing in the Sports Industry

## Lander Sports: 4.8 billion yuan investment in Chongqing Liangjiang Event Center

On September 9, Lander Sports and the management committee of Chongqing Liangjiang New Area signed the Investment Agreement for Liangjiang Lander Event Center, and proposed to construct an event center in the Longxing sub-district of Liangjiang New Area administered by the management committee, with an investment not less than 4.8 billion yuan and an area of about 398,000 m<sup>2</sup>. Construction land for sports facilities and the land for supporting real estate development have an area of 130,000 m<sup>2</sup> and 268,000 m<sup>2</sup>, respectively. A Class-A sports complex with not less than 8,000 seats, an international youth football training base, a football business school and a supporting sports and health community will be built according to the construction plan.

The project planned to introduce English Premier League' s China matches, international (domestic) football tournaments, warm-up matches, Asian Cup (East Asian Cup) football matches, Chongqing amateur football super tournaments, national (Chongqing) youth football tournaments and Stankovic Cup intercontinental basketball matches. Responding to the nation' s call to "introduce foreign sports" , the event center will also introduce

ice sports events such as ice hockey and figure skating and single sport matches such as basketball, volleyball, ping-pong, badminton, gymnastics and martial arts.

In recent years, Lander Sports signed agreements for Tonglu international football town, Xiaoshan "vibrating Puyang" town, Chengdu Gexianshan sports & leisure town and Yiwu sports & leisure town. Through commissioned operation and construction, Lander Sports has won a series of projects including Chongqing Panlong sports life square, Jiaxing Xiuhu national fitness center, sports life center of Lander future technology city, Lishui lander sports complex and Nanjing lander star sports complex. The company has made significant progress in sports spatial layout. Key IPs currently owned and operated by the company include: Chongqing women' s football, Stankovic Cup intercontinental basketball match, Asian professional basketball tournament, national family fitness challenge, Zhejiang women' s ice hockey team and Zhejiang women' s ice curling team.

## Xin' ai Sports: Financed 850 million yuan in round A

On September 4, DDMC announced that Xin' ai Sports, co-founded by Xin' ying Sports, a subsidiary of DDMC and iQiyi financed 350 million yuan from







China Jianteng Sports Industry Fund, co-founded by CMC Inc. and Sequoia Capital China Fund and Yao Capital. According to Capital Increase Agreement of DDMC, China Jianteng Sports Industry Fund has acquired 8.96% equity of Xin' ai Sports at the consideration of 300 million yuan, and Yao Capital acquired 1.49% equity of Xin' ai Sports at the consideration of 50 million yuan.

On September 5, Yu Lingxiao, CEO of Xin' ai Sports spoke in the conference for round A financing of iQiyi sports: "Round A financing has been completed within 1 month since the founding of the company. Our financing progress is unparalleled in the sports industry." In addition, IDG Capital and Huiyingborun made an investment of 500 million yuan in early August. Therefore, Xin' ai Sports financed 850 million yuan within 40 days in round A and its valuation has reached 3.35 billion yuan after the financing, emerging as a flagship in the sports industry.

#### Street dance brand Caster: Financed 10 million yuan in an angel round

By September 18, the Hip-Hop dance brand Caster completed an angel funding round of tens of million yuan. Investors include iQiyi, S Capital and Wuhan Mutual Entertainment. Mumian

Capital functioned as Caster' s exclusive financial consultant.

Caster was founded by Stone and dancers Evo and Danny in 2005. So far, Caster has opened 10 dancing classrooms, hired more than 100 dancing teachers and trained millions of students. In October, Caster' s first concept shop will open in Shanghai Hongkou football field with an occupied area of 1,000 m2 to create a fashion highland for young people. In addition to dancing classrooms, the shops also includes fashionable brand shops and public entertainment spaces. Combination of retail, entertainment and experience is one of the trends of commercial real estate upgrade. Caster provides courses for both children and adults, covering all types of street-related dance. The average prices for children' s course and adults' course are 120-150 yuan and 80-120 yuan, respectively, which are not high compared with most dancing workshops. As Stone pointed out, "High price will push many newbies to low-quality institutions and runs counter to our intention to promote street dance culture." According to data, Caster recorded an income of 20 million yuan in dance training and a new profit in 2017. Moreover, Caster also conducts business in brand events and manufacturing of street culture products.

(Compiled by Chen Lin)

# Manchester City Unveiled a Football Smart Band



Recently, the Manchester City club and Turnpike Group, a Swiss start-up, jointly released the “Fantom” football smart band, which was claimed to be the first of its type in the world. Based on the content of Manchester City, Fantom integrates various functions for football fans, including real-time match data updates, breaking news, fans survey and tests. In addition, Fantom has a built-in NFC chip which provides non-contact functions including input and payment of clubs’ season tickets, and a reminder when two fans get close to each other.

Compared with conventional smart watches with a multitude of functions, the football smart band

customized every function to meet football fans’ requirements. For example, Fantom provides a countdown during a match. It displays the remaining time and real-time data of the match. Additionally, exclusive news of the club, players’ scores and fans’ tests are also integrated in this smart band.

As a special product of Manchester City, the Fantom provides an aluminum alloy case, a colorful touchscreen and a silicone wrist band. Sky blue symbolizing the club has been used, and the team logo and striking “Manchester City” team logo are designed on the wrist band.

Source: Eastday.com



# News on the International Sports Industry

## Haptic IET Innovation award 2018

Huafeng – HAPTIC, the 3D additive coating technology from Huafeng, was nominated as a finalist for the top European innovation award, the IET Innovation Award. HAPTIC competes in the category of Manufacturing Technology. The Award ceremony will take place Nov. 14th 2018 in London.

## Le Col receives over £2.35 million from Puma Private Equity

Cycling Industry News – British apparel brand Le Col has raised £2.35m from Puma Private Equity to fuel further growth, with the opportunity to increase investment to £3.5m. Part of Puma Investments, UK-based Puma Private Equity delivers funding to SMEs in all sectors around the country and has completed £15m of investment this year.

## TYR's new technical swimsuit 'will break world records'

Sports Textiles – California-based swim and triathlon apparel brand TYR Sport has unveiled its new technical swimsuit, which has been designed with the help of a number of Olympic athletes.

## VF Corporation enters into definitive agreement to sell the Reef® brand to The Rockport Group

VF – VF Corporation, a global leader in branded lifestyle apparel, footwear and accessories, announced that it has entered into a definitive agreement to sell the Reef® brand to The Rockport Group (Rockport) of Newton, Massachusetts.

## PUMA clyde court disrupt launches instore

PUMA – After months of anticipation, the Clyde Court Disrupt, PUMA's first basketball silhouette in more than 20 years, launches in-store this Thursday, 10/11.

## Nike scores 2nd straight quarter of growth in North America

Retail Dive – Nike announced that revenue increased 10% in the first quarter, rising to \$9.9 billion. By brand, Nike brought in \$9.4 billion, while revenues at the Converse brand reached \$527 million. Gross margin for the quarter increased by 50 basis points and net income increased 15% to \$1.1 billion, according to a company press release.



# Overall Development Trend of Chinese Sporting Goods Industry



I. Expansion of the Chinese Sporting Goods Industry Continues.

The expansion of the Chinese sporting goods industry has continued over recent years. The manufacturing output of the Chinese sporting goods and relevant products reached 1.0234 trillion yuan in 2014, 1.1238 trillion yuan in 2015 and 1.1962 trillion yuan in 2016, and is expected to reach 1.2732 trillion yuan in 2017.

II. Added Value of Chinese Sporting Goods Continues Growing Year on Year.

The added value of Chinese sporting goods is growing year on year. According to the data of General Administration of Sport and National Bureau of Statistics, the annual compound growth rate of Chinese sporting goods reaches 13.38%. As predicted based on the above growth speed, the added value of Chinese sporting goods will reach 324.72 billion yuan in 2017.

III. The Proportion of Sporting Goods in Total Consumption of Residents Continues Increasing.

Sporting goods consumption has been steadily rising in recent years. According to the data of National Bureau of Statistics and White Paper for Chinese Sporting Goods, total consumption has risen from 16.923 billion yuan in 2000, 147.21 billion yuan

in 2016 to 163.1 billion yuan in 2017. The annual average growth rate of sporting goods consumption has remained above 11.1%.

IV. Sporting Goods Industry Plays An Active Role in the Capital Market.

Driven by the upgrade of consumption structure and increase of health & fitness demands, the Chinese sporting goods industry is playing an active role in the capital market despite slight weakness of the manufacturing industry during the upgrade process. It signals that the sporting goods industry is highly regarded by the capital market in the background of public fitness and “healthy Chinese”.

V. The international market slips into a downturn. Affected by the international macro-economy and the upgrade of Chinese sporting goods industry, the export value of Chinese sporting goods was 16.165 billion USD in 2016, with a year-on-year decrease of 17.28%, according to statistics of General Administration of Customs. The export value of the sporting goods industry has significantly decreased.

VI. Several industrial clusters of sporting goods have emerged.

After decades of development, a number of clusters with strong competitiveness have emerged



in Chinese sporting goods industry, and they are mostly concentrated in Guangdong, Fujian, Jiangsu, Zhejiang and Shanghai in terms of production. In the aspect of density and product category, sports shoes are mostly concentrated in Jinjiang and Putian of Fujian, Dongguan of Guangdong, Cixi of Zhejiang and Kunshan of Jiangsu. Sportswear is mostly concentrated in Shishi of Fujian, Zhongshan of Guangdong, and Haining of Zhejiang. Sport equipment is mostly concentrated in Fuyang and Cangnan of Zhejiang, Jiangdu and Taizhou of Jiangsu, and Cangzhou of Hebei. Basketball, volleyball and football are mostly concentrated in Shanghai, Tianjin and Fenghua and Fuyang of Zhejiang. Thank to technological development, some sports & health smart cluster zones have also emerged.

VII. A number of national industrial bases and exemplary companies of sporting goods have been named.

Since 2016, General Administration of Sport named a number of national industrial bases of sports based on development foundation, scale, characteristics and comprehensive influence in order to facilitate overall development. A total of 36 companies have been named as “national exemplary base of sports industry in (district)” based on districts (counties or county clusters, cities and municipal districts), and most of them are manufacturers of sporting goods. Seven well-known companies and organizations have been named as “national exemplary companies of sports industry” -- Anta (China) Co., Ltd., Taishan Sports Industry

Co., Ltd., Beijing Sanfo Outdoor Equipment Co., Ltd., Fujian Hongbo Photoelectric Technology Co., Ltd., Beijing OKSTAR Sports Industry Co., Ltd., Shenzhen Good Family Industrial Co., Ltd., and Baoshan Yongzi Cultural Industry Co., Ltd. All of them are manufacturing or sales companies of sporting goods.

VIII. A number of well-known brands have emerged.

Brand equity reflects a company's overall quality and competitiveness, and serve as the basis for company development. Chinese sporting goods companies started up from manual workshops, which processed incoming materials and workpieces. After 40 years of development, the sporting goods industry gained strong global influence and competitive force, and a number of well-known brands, even international brands have emerged and largely strengthened the industry's influence and competitiveness.

IX. Actively sponsor various large events

Sponsoring sport events is one of the important marketing methods of sporting goods manufacturers. In recent years, Chinese sporting goods companies have vigorously sponsored foreign and domestic events. For example, Anta sponsored the Olympic Games, “361” sponsored the Asian Games, and Lining sponsored CBA. The sponsorship created high economic returns, while enhancing these companies' brand popularity and competitiveness, and increased global influence of Chinese companies.

(Excerpts from sporting goods consumption report in 2018)





## Political Environment of Chinese sports industry in 2018

By Chen Lin

The year 2018 is significant year for the Chinese sports industry. On September 20, Several Opinions of CPC Central Committee and the State Council on Improving Consumption Mechanism and Boosting Residents' Consumption Potential mentioned sports in 13 times in 5 paragraphs. Sports has become a driving force of consumption growth and an important part of overall national economic plan. According to the Opinions, integrated development of sports industry, smart industry and internet+ has been clearly proposed, and the sports industry has been clearly defined by NDRC as the "new channel" of economic development. According to prediction, "By the end of this year, the added value of sports industry will account for more than 1% of the national GDP, the sports consumption will reach about 1 trillion yuan, quantity of sports institutions will grow by more than 20%, and more than 4.4 million people will be newly hired in the industry." Half of the year 2018 has passed. According to relevant policies, the favorable wind of sports industry will continue; and the industry will become more professional.

Sports activities are becoming more scientific,

and "public fitness" has turned into "public scientific fitness" .

At the end of July, General Administration of Sport issued the National Fitness Guideline as the first official and authoritative sport advice. In August, General Administration of Sport and All-China Sports Federation published the "18 methods of scientific fitness" to popularize scientific fitness skills.

In terms of the sport science, technological advancement of sport equipment had been the focus in the past, but science has now been used to guide fitness. Both competitive sports and mass sports need scientific guidance. Exercise rehabilitation is also part of sport science. Firstly, the sports circle has encouraged the doctor association to provide exercise prescriptions. Secondly, scientific training has been adopted by exercise rehabilitation institutions to help sports fans to avoid and recover from injuries. The concept "national scientific fitness" has provided business opportunities for industrial development.

Openness and standardization -- present and future of sports industry



When the economy faces a new development mode and industrial growth slows down, the Chinese economy needs new driving force. The sports industry can help in this regard.

The sports industry has benefited from the policy in two aspects in recent years: Firstly, the approval mechanism of sports competition has been canceled; therefore foreign capital is allowed to enter the market, which was monopolized previously. Secondly, reform of associations is underway. Associations are transformed from state-owned institutions to civil groups. As a result, they are forced to convert resources into commodities in order to survive. The market will be regulated in the opening-up process. On August 20, General Administration of Sport issued three standardization documents -- Several Opinions on Standardizing Conducts in Sports Stadiums, Management Methods for Sports Activities of Overseas NGOs, and Management Methods for Blacklists of Sports Market -- in order to supervise and regulate sports events and market order, accelerate construction of sports credit system, and facilitate sustainable and healthy development of the sports industry.

The government is supporting multiple sport projects centering on stadium facilities.

In July, the General Administration of Sport and four banks including Industrial and Commercial Bank of China grant credit support to 383 sport projects in terms of credit interest, loan period and loan approval efficiency. The projects include ice sport centers, recreational sport centers, race tracks and featured

sports towns.

As pointed out by Ou Xiaoli in the press conference of NDRC, new business models and types have emerged in the sports industry. A total of 35 sport contact cities and 110 sport contact institutions are actively pushing forward reforms, and sport & health cities, sport towns, sport complexes, sport parks and industrial zones are constructed at a high speed.

Strong demands from sports participants and audience.

According to the experience of developed countries, when the GDP per capita reaches 5,000 USD, sports consumption will grow sharply, and people will have sufficient cash, time and desire to watch sport competitions and participate in sports activities. Currently, China's GDP per capita has exceeded 8,000 USD, and sports consumption has a huge growth potential. The Chinese people will create strong demands to participate in and watch sports competitions.

Since last year, the General Administration of Sport has been actively pushing forward construction of sports complexes to provide an integrated development platform for the sports industry and other fields. Based on different development conditions, sports complexes are classified into large stadiums, sports & leisure towns, sports camps, tourist attractions, vacant industrial and commercial spaces, and picturesque villages. Therefore, a featured business model suitable for Chinese sports industry development will be created.

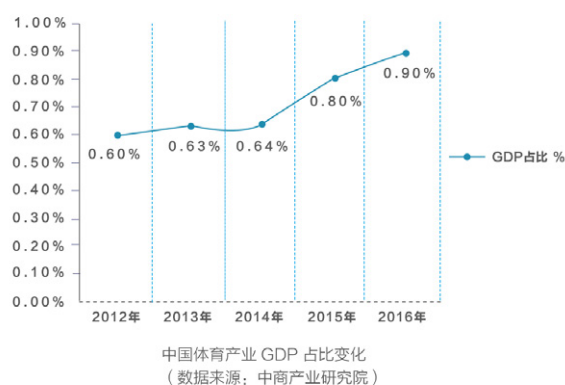


# Phased Orientation of Chinese Sports Industry



NDRC held a press conference on consumption expansion on August 2. As introduced by Ou Xiaoli, the social division leader of NDRC, China's sports industry has been growing rapidly this year and has become a "new driving force" of economic development. According to statistics of ASKCI, China's sports industry accounted for 0.8% of GDP in 2015, whereas the proportions of other countries

are as follows: USA 2.9%, Korea 3%, France 2.9%, Japan 2.5%, Brazil 2.1%, UK 2.0%, Germany 2.0. The global average annual added value of sports industry accounts for 2.1% of GDP, therefore China is still way behind the global average and developed countries of sports industry. Phased orientation of China's sports industry is for a key problem facing professionals in this field.



GDP 占比 %	GDP proportion %
XXXX 年	XXXX

Change of GDP proportions of Chinese sports industry  
(Source: ASKCI)

## Overall Orientation

In the press conference, Ou Xiaoli explained the current status of China's sports industry:

Firstly, the scale of the industry keeps expanding. According to estimation, the added value of the sports industry will account for over 1% of the GDP, sports consumption will reach 1 trillion yuan, quantity of sports institutions will increase by over 20%, and more than 4.4 million new jobs will be recorded by the end of 2018. The sports industry is playing an active role in facilitating consumption, benefiting people's life and stabilizing economic growth.

Secondly, structural optimization continues. The added value of the sports service industry accounts for over 50% of the added value of the sports industry, and the growth rates of fitness & leisure industry and competition & performance industry have exceeded 20%. Sports activities such



as aviation, fencing and mountain outdoors are booming and have become new hot spots of sports consumption.

Thirdly, new business models and types have emerged. A total of 35 sport contact cities and 110 sport contact institutions are actively pushing forward reforms, and sport & health cities, sport towns, sport complexes, sport parks and industrial zones are constructed at a high speed.

### Orientation During Investment and Financing Phase

According to the investment and financing projects capital data, China's sports industry is still at an early stage. There were 93 investment and financing events in the sports industry in the first half of 2018, with a total fund of 8.752 billion yuan. The invested amount increased by 106.68% compared to the last year (source: Pintu360).

Leader such as Suning Sports and Alisports have adopted the full industry chain model centering on services, products and events. For example, Suning Sports has created a sport matrix centering on football events and possesses sport copyrights of multiple hot events including Chinese super league, Asia champion league and division A league as well as feature combat IPs including WWE (World Wrestling Entertainment) and UFC (Ultimate Fighting Championship). QQsports also created a full industry chain model in the sports ecology. Alisports established its position in the sports industry by focusing on event resources. It tapped into the market by investing in Evergrande football team, obtaining the rebroadcasting rights of NCAA (National Collegiate Athletic Association) and NFL (National

Football League), and leverages its advantages in e-commerce, marketing and data resources. QQsports created a derivative ecology and opened up NBA peripheral sales by exploiting NBC events and directing social traffic.

### Sports Events Remain the Core Despite Huge Investment

According to Report on Investments in Chinese Sports Industry in 2018, clubs, event operation and sports media were the first three sub-divided fields in the first half of 2018. Event operation is a major means of profiting in the sports industry. However, event copyright is the most costly. Suning Sports purchased the exclusive copyright of English Premier League for 2019–2022 with about 721 million USD, and the exclusive copyright of German Bundesliga for 2018–2023 with about 250 million USD. QQsports acquired the exclusive online live broadcasting copyright of NBA for the next 5 seasons in China with 500 million USD.

“Event operation is a key element of the entire sports industry. A high-quality event IP will bring about huge business value and profound influence,” Kuang Shi, the chief analyst of the media and internet division of GF Securities indicated. According to the trend, attractive IPs should be created by a mature event operation team by integrating various resources, and cultivation of star athletes is also a key to creating high-quality events.

On summary, the core of sports industry is events, and the grade and standard of events are measures of development stages of the sports industry.

