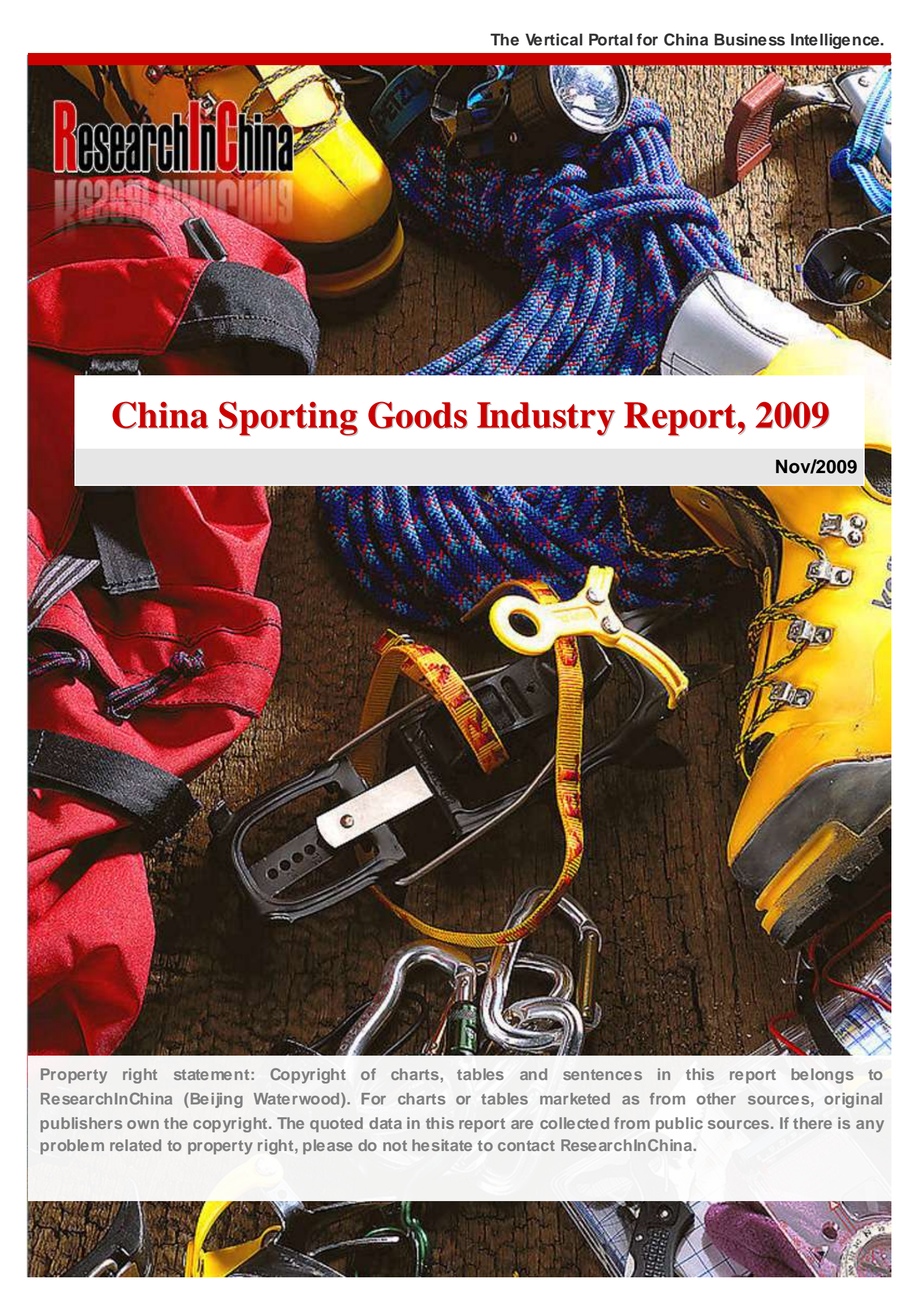




ResearchInChina

China Sporting Goods Industry Report, 2009

Nov/2009



Property right statement: Copyright of charts, tables and sentences in this report belongs to ResearchInChina (Beijing Waterwood). For charts or tables marketed as from other sources, original publishers own the copyright. The quoted data in this report are collected from public sources. If there is any problem related to property right, please do not hesitate to contact ResearchInChina.

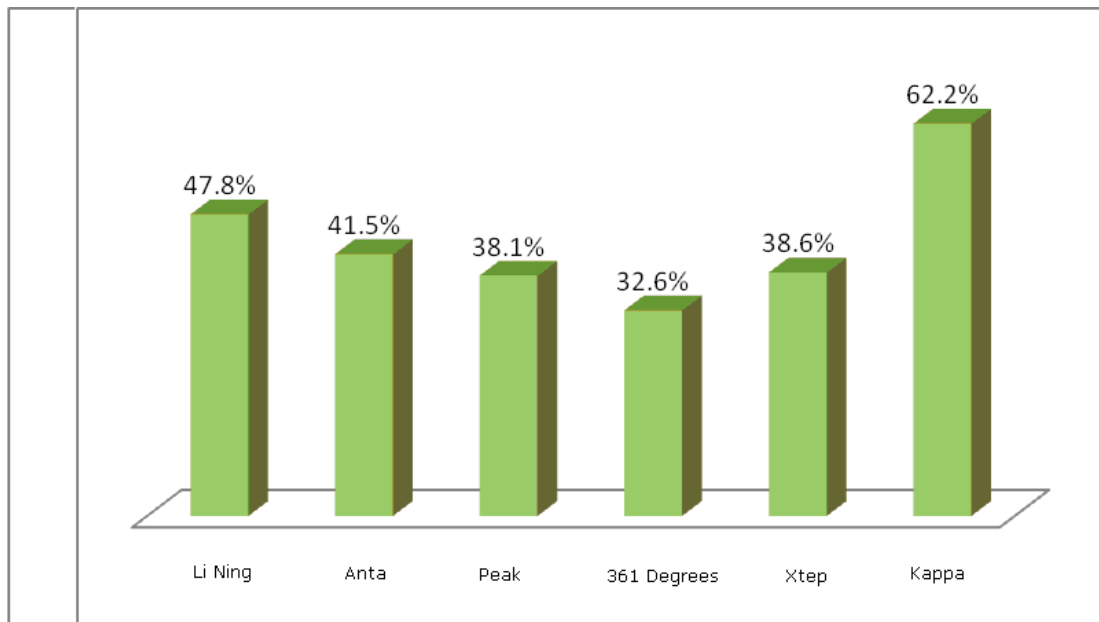
2. Development of China Sporting Goods Industry

2.1 Status Quo

The competition in China sporting goods industry is fierce. The well-known sporting goods brands include Adidas, Nike, Li Ning, Anta, Peak, etc., some of them are from Mainland China, while some from abroad. They compete in brand loyalty, design, product variety, quality and price.

2.2 Profitability of Brands

Gross Profit Margin of Sports Brands in China, 2009

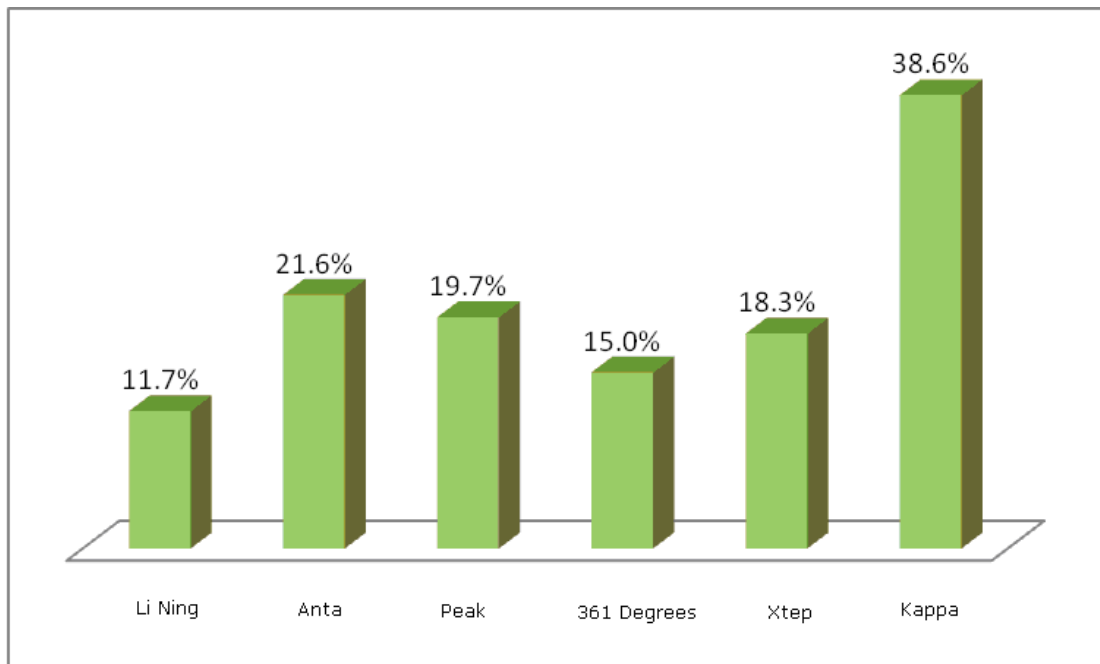


Note: the data of 361 Degrees indicates the data within nine months before March 31, 2009.

Source: ResearchInChina; Annual Reports of 361 Degrees, Li Ning, Anta, Xtep, Peak, Kappa

Sports products are entertainment products, with large profit margins. The gross profit margin of six major sports brands in China is above 30% apiece. According to the comparison in the above figure, the gross profit margin of Kappa which is subject to China Dongxiang was 62.2%, much higher than that of Li Ning, Anta, and other brands.

Net Profit Margin of Sports Brands in China, H1 2009



Note: the data of 361 Degrees indicates the data within nine months before March 31, 2009.

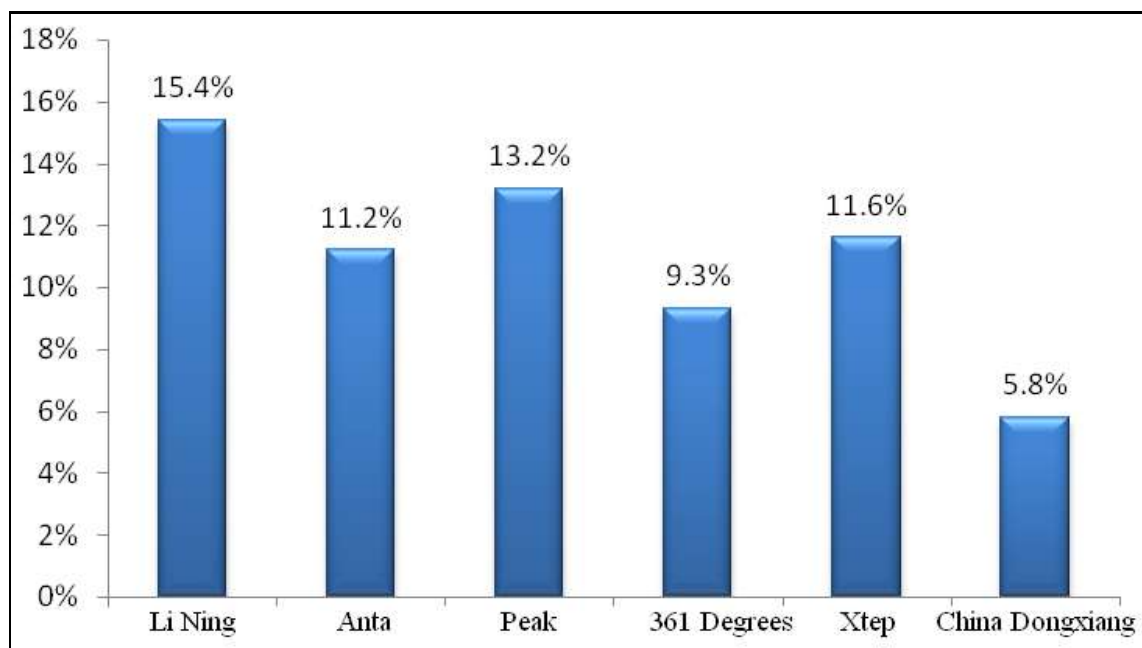
Source: ResearchInChina; Annual Reports of 361 Degree, Li Ning, Anta, Xtep, Peak, Kappa

In the first half of 2009, Kappa's net profit margin was 38.6%, ranking first among all brands; its profitability was much better than other brands. This was because of its pricing strategy, brand strategy as well as the business model of "High Investment, High Output, High Risk". Kappa aims to become an international brand which can be comparable with Nike and Adidas. As one of China's important brands, Li Ning's net profit margin was only 11.7%, far lower than that of other brands,.

3. Advertisement Release

3.1 Advertisement Release

Advertising Expenditures of Sports Goods Enterprises in China, H1 2009



Note: the data of 361 Degrees indicates the data within nine months before March 31, 2009.

Source: ResearchInChina; Annual Reports of 361 Degree, Li Ning, Anta, Xtep, Peak, China Dongxiang

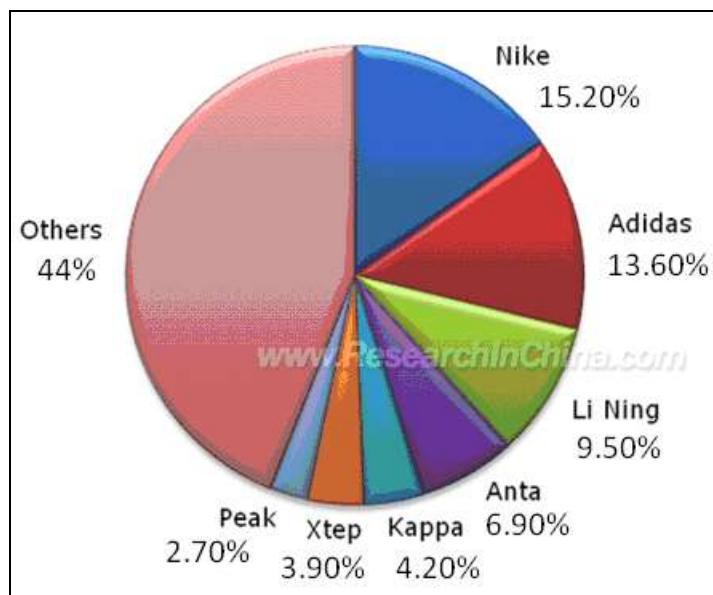
Brand promotion and product sales are closely linked, particularly fashionable consumer goods like sports goods, which is bought mainly by young people who often buy something by the guidance of advertising. Among Chinese sports enterprises, Li Ning is the one that emphasize brand promotion most. In the first half of 2009, Li Ning spent RMB624 million on advertising and promotion, accounting for 15.4% of the total revenue. Peak followed Li Ning and invested RMB180 million in advertising within the first half of 2009, accounting for 13.2% of the total revenue. In contrast, China Dongxiang's Kappa invested less in advertising. However, from October 2009, Kappa's advertisements have begun to arise in bus stops and subway stations in Beijing with high-profile publicity.

4. Market Segments

4.2 Sportswear

In China and the global sportswear industry, competition is exceedingly fierce. Sportswear manufacturers compete in loyalty, product variety, design, quality and price. At present, Nike, Adidas, Li Ning and Anta and other international and Chinese brands coexist in China sportswear market.

Market Shares of Sportswear Brands in China by Revenue, 2008



Source: ResearchInChina; Annual Reports of Nike, Adidas, Li Ning, Anta, Xtep, Peak

In 2008, according to the revenue in sports apparel, Nike and Adidas were still the first choice of Chinese consumers, followed by Li Ning that had the largest market shares compared the other local brands.

6. Major Sports Goods Companies

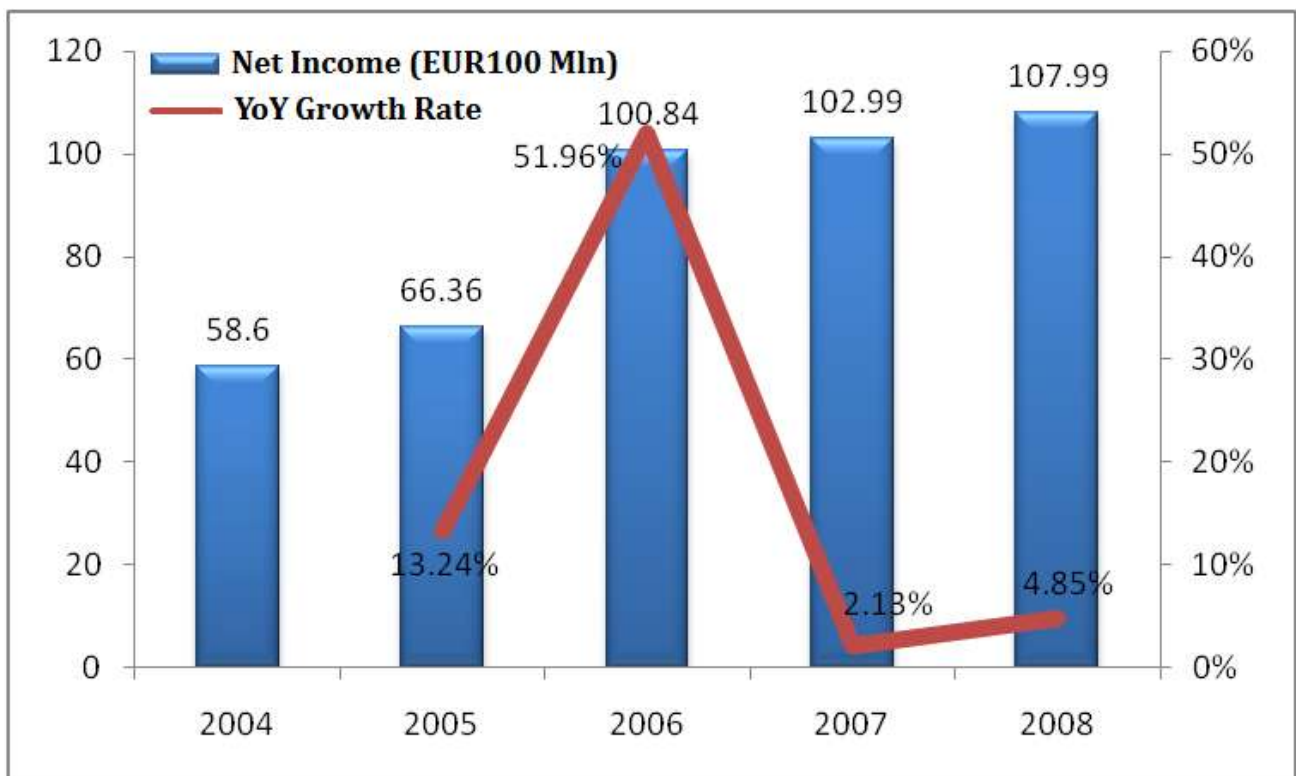
6.5 Adidas

6.5.1 Profile

Adidas is a German company and produces light track shoes for athletes, with more than 45,000 employees in over sixty countries.

6.5.2 Operations

Adidas' Revenue and Growth Rate, 2004-2008

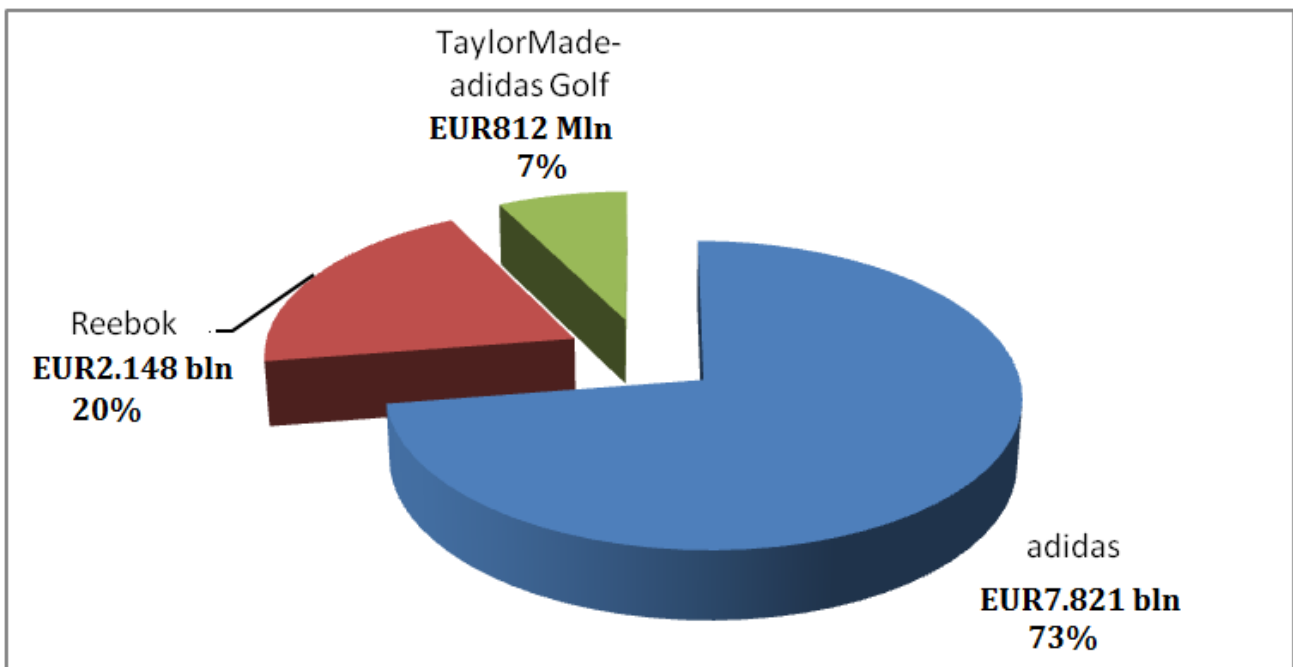


Source: Adidas Annals, ResearchInChina

In the first two quarters of 2009, Adidas performed badly in nearly all regional markets all over the world. Deducting the factor of exchange rate, Adidas sales revenue in European market dropped 8% compared to the same period of last year; Adidas sales revenue in North American market plunged 10%; Adidas sales revenue in Asian markets, mainly in China and Japan, was down by 9%; while Adidas sales revenue in Latin American market grew 24% against the same period of last year, but only reaching EUR443 million. In 2009Q3, net profit dropped 30% from the same period of last year to EUR213 million (or US\$313.5 million) and gross profit margin fell 3.7 percentage points to 45.3%. As a result of relatively high discounted sale, relatively high cost and the influence from the depreciation of exchange rate particularly Russian Rouble. Adidas's total revenue in 2009Q3 dropped 6% to EUR2.89 billion.

Starting from Q3 2008, Adidas has dealt with the issue of inventories. In 1H2009, Adidas inventory valued at EUR2.041 billion, up 13% from the same period of last year; or up 8% from the same period of last year if deducting the factor of exchange rate.

Adidas' Revenue Structure, 2008



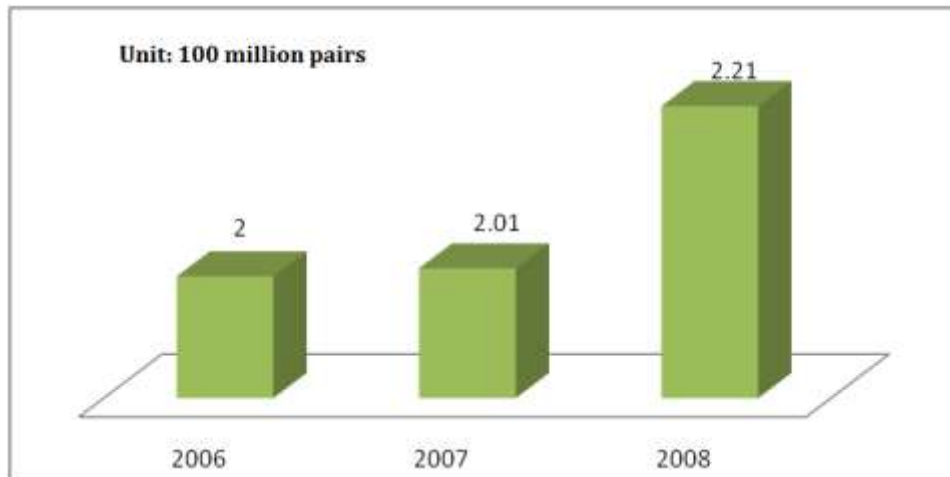
Source: Adidas Annals, ResearchInChina

Adidas has three key brands, namely the two brands of Adidas and Reebok led by the production of sport apparel and footwear, as well as Taylor Made-adidas Golf led by the production of golf tackle. In 2008, the three brands accounted for 73%, 20% and 7% respectively of Adidas total revenue.

6.5.3 Products

1. Footwear

Output of Adidas Shoes, 2006-2008



Source: Adidas Annals, ResearchInChina

In 2008, Adidas produced 221 million pairs of footwear, up 10% from the same period of last year. Footwear products under the flagship of Adidas are mainly produced and processed in Asia, and in 2008 97% of footwear got produced in Asia, while the rest 3% produced in Europe and America.

→ Related Reports

- **China Golf Market Report, 2008**
<http://www.researchinchina.com/htmls/Report/2008/5625.html>
- **China Supermarket Industry Report, 2009**
<http://www.researchinchina.com/htmls/Report/2009/5761.html>
- **China Toy Industry Report, 2008**
<http://www.researchinchina.com/htmls/Report/2009/5654.html>
- **China TV Shopping Market Report, 2007-2008**
<http://www.researchinchina.com/htmls/Report/2008/5598.html>
- **China Luxury Dressing Market Report, 2008**
<http://www.researchinchina.com/htmls/Report/2008/5412.html>
- **China Listed Foreign Trade Companies Report, 2008-2009**
<http://www.researchinchina.com/htmls/Report/2009/5695.html>
- **China Logistics Industry Report, 2008-2009**
<http://www.researchinchina.com/htmls/Report/2009/5679.html>
- **China Budget Hotel Market Report, 2008-2009**
<http://www.researchinchina.com/htmls/Report/2009/5634.html>

About ResearchInChina

ResearchInChina (www.researchinchina.com) is a leading independent provider of China business intelligence. Our research is designed to meet the diverse planning and information needs of businesses, institutions, and professional investors worldwide. Our services are used in a variety of ways, including strategic planning, product and sales forecasting, risk and sensitivity management, and as investment research.

ResearchInChina also offers subscription products for clients, including Market Weekly, Market Monthly and Market Quarterly on various industries. Market Weekly (Monthly and Quarterly) is the important step to understand the investment potential in China market.

We have over 600 clients worldwide, including the largest commercial and investment banks; insurance companies; research institutions; financial services firms; mutual funds; manufacturers; utilities; and industrial and technology clients.

Address: 1105, Tower B, Cai zhi International Building, Zhongguancun East Road No.18, Haidian District, Beijing, Post:100083

Tel: 0086-10-82600828, 82600893

Fax: 0086-10-82600829

Mail: report@researchinchina.com

