Analysis on Listing Prospects of Sports Enterprise

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Abstract. The difficulties that sports industries face for developing relying on stock market will be discussed in the dissertation. Analysis on ways of how sports industries in China participate in listing will also be mentioned.

Keywords: Sports industry, stock market, listed companies.

1 Beginning Words

Stock market is of great importance on development of companies and corporations. Take the development of international brand as an example. Reebok, now ranked No.3 in the world, only reached the sales of $1.5 million in 1981, but the data reached a surprising amount of $1.4 billion, replacing Nike as American largest sports corporation [1]. Reebok rose from its listing in New York Stock Exchange, which help the corporation gain huge amounts of money for product development, advertising and sales outlets etc. As for domestic brand, Li Ning now largely exceeds Kangwei and Anta, which were on the same level in 1990s. Besides the success of its marketing network, Li Ning should owe its success more to its actions on capital markets. In 2004, Li Ning listed on Hong Kong Stock Market, raising HK$4.4 billion for branding, logistics management and sales network. Successful listing leads Li Ning into a new rapidly developing period, leaving competitors like Kangwei and Anta far behind [2]. Gaining money by stock market is vital for corporations to expand the scale and enhance performance. It is of positive and important significance to study the role that stock market plays in the development of Chinese sports industry and the prospects of listed sports corporations.

2 Brief Introduction to the Listing Situation of Chinese Sports Corporation

According to the results that the author searched in “Chinese Archive of Listed Companies”, except that companies like Shuangxing in Qingdao and Qipilang in Fujian which produce sports products listed on stock market in mainland and Lining and foreign corporations like Shunlong, Xinyi, Yingmei listed in Hong Kong, there are

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about 20 listed companies which are involved in sports business until December, 2010. However, except China sports industry, the majority of these 20 listed companies do not focus on sports industry, only having shared or holding subsidiaries and joint ventures involved in sports industry. Though a few subsidiaries state that they participate in sports industry, there is actually no connection to sports industry.

Compare with European countries with developed sports industry, Chinese listed companies of sports industry are still far behind in quantity and capital scale. Besides a lot of listed sports product companies and sports industry companies, there are many listed sports clubs in Europe. Take football clubs as an example. West Ham, belonging to English Premier League, reached total assets of £32,395,000, net assets of £8,929,000, total revenue £24,017,000 after reformed and listed in July, 1997. In England, over ten football clubs including Manchester United and Liverpool not only expand the sources of funding but also attract stars over the world by issuing shares on stock market, which promotes the rapid development of sports industry and national economy. Spanish football stock is one of the most active plates in the stock market. More than 60% of famous football clubs are listed companies, which means their money is almost raised from stock market [3]. Up to now, there is no listed football club in China (but there are some clubs bought by listed companies). Listed sports industry companies are mainly sports products companies and some big companies which do not focus on sports industry but have subsidiaries involved in sports industry. Therefore, there is large development space and potential in stock market for Chinese sports industry.

3 Analysis on Prospects of Companies and Corporations in Sports Industry

3.1 Market Choice: Comparison of Main-Board Market and Second-Board Market

At present, corporations listed on main-board market must meet the following requirements: (1) stocks have issued to the public with the regulatory approval by the State Council; (2) total equity of the listed company is at least ¥30 million; (3) the number of shareholders who hold the share over ¥1,000 must exceed 1,000, and the share issued to the public must be at least 25% of the total share of the company; if total share exceeds ¥4 billion, the share issued to the public must reach a proportion of at least 10%; (4) the company has no severe illicit behaviors in the past three years, and no fake financial accounting record; (5) national laws and regulations and other requirements provide by the trade.

China presented second-board market (board for medium and small corporations) in Shenzhen Stock Exchange in May 17, 2004. Listing requirements for second-board market are not as strict as main-board market. Companies and corporations in small scale and not very good return on investment income at present, but have great potential are mainly supported. There are still “three-of-three requirements” for companies to be listed on second-board market: (1) annual accounting net profit in the past three years must be positive, and be over ¥30 million in all; (2) annual accounting net profit in the past three years must be over ¥3 billion in all, or annual accounting net cash flow must be over ¥50 million; (3) equity must be over ¥30 million before listing.