Automotive Aftermarket in China

Industry Study with Forecasts for 2014 & 2019

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Growth will be stimulated in part by China’s rapidly expanding stock of light vehicles in use, and by rising numbers of older cars, which require more frequent and expensive repairs.

Aftermarket in China to grow 18.3% annually through 2014

The aftermarket for light vehicle components and parts in China is forecast to advance 18.3 percent per annum to ¥164.7 billion in 2014. Growth will be stimulated by the country’s rapidly expanding stock of light vehicles in use. Rising numbers of older cars, which require more frequent and expensive repairs, will also contribute to aftermarket sales gains. In addition, value gains will be supported by increasing demand for higher-end aftermarket parts. The greater penetration of nonessential products, such as back-up sensors and GPS, will provide additional impetus for aftermarket sales growth.

Mechanical products to remain largest segment

Mechanical products will remain the largest light vehicle aftermarket segment through 2014, due in large part to the regular replacement requirements of products such as brake parts and filters, and the high cost of items such as engines and associated parts. Demand for electronic products will see the fastest growth, supported by the ongoing rise in the electronic content of the typical light vehicle, as well as increasing consumer demand for nonessential features and entertainment options, which typically have a high electronic content. Replacement rates for exterior and structural parts and for electrical products will also rise, aided by growth in the number of older cars and the relatively poor road conditions in many areas, which leads to greater wear-and-tear of certain components such as tires.

Low-speed vehicles to remain key segment

Although facing fierce competition from light vehicles, low-speed vehicles will remain a major form of transportation equipment in many rural areas in China, benefiting from their low costs and superior performance in terms of carrying passengers and cargo on poor roads. The expanding number of low-speed vehicles in use will provide opportunities for sales of components and parts in the aftermarket.

Small DIY market to outpace pro service providers

Professional service providers will remain dominant throughout the forecast period, an outcome of comparatively low labor costs and, therefore, service fees. The increasing technological complexity of light vehicles in general will continue to support growth in professionally installed aftermarket product demand. However, the small consumer or DIY segment will expand more rapidly as light vehicle owners become more knowledgeable about vehicle maintenance and repair.
Windshield Wipers

Demand for windshield wipers in the light vehicle aftermarket in China will increase 18.1 percent per annum through 2014, reaching ¥3.7 billion. The ongoing expanding size of the light vehicle park will have a direct influence on windshield wiper replacement demand. With more vehicles on the road, increasing numbers of automobiles have to park along street (instead of parking garages) where they are more exposed to damaging sunlight, leading to more frequent replacement of windshield wipers. The rising number of SUVs and MUVs that are equipped with both front and rear wipers will also provide opportunities for replacement demand.

Windshield wipers are designed to clear the vehicle’s windshield from rainwater, other precipitation and debris, providing drivers with a maximum view of the road. A windshield wiper often consists of windshield wiper arm, wiper blade, wiper motors, a system of gears and various arms and linkages.

Windshield wiper arms connect the motor to the wiper blades, making the system functional. Also, the windshield wiper arms push the blades to the windshield, increasing their efficiency of keeping the glass clean. There are two popular types of arms sold in China. Radial types, also known as pivot wipers, are attached to a single arm, which in turn is attached to the motor. They are most commonly found on automobiles and light trucks. Pantograph wipers have two arms for each blade, with the blade assembly itself supported on a horizontal bar connecting two arms. Pantograph arms allow the blade to cover more of the windshield on each wipe. They are more often used on commercial vehicles.

Demand for windshield wiper blades will be supported by the high frequency of product replacement. Windshield wiper blade producers...
COMPANY PROFILES

Geely Automobile Holdings Limited
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road, Wan chai
Hong Kong
85-2-2598-3333
http://www.geelyauto.com.hk

Employment: 9,945 (2008)

Key Products/Services: engines, gearboxes, brake systems, electric power steering units and other replacement parts; and aftermarket vehicle repair and maintenance services

International Contact: Mr. Gui Sheng Yue, Chief Executive Officer

Geely Automobile produces and markets automobiles, automobile parts and related components throughout Hong Kong and China. The Company is 58-percent owned by Proper Glory Holdings Incorporated (Hong Kong), a holding company.

The Company participates in the Chinese automotive aftermarket industry through several subsidiaries, which are engaged in the research, development, manufacture and sale of automobiles under the GEELY, MAPLE, GLEAGLE, EMGRAND and ENGLON brand names; and related automobile components, including engines, gearboxes, brake systems and electric power steering units. Geely Automobile conducts manufacturing operations at facilities in Lanzhou, Jinan, Chengdu, Xiangtan, Shanghai, Cixi, Ningbo, Luqiao and Linhai, China.

“Demand for brake calipers and cylinders in the Chinese light vehicle aftermarket is projected to increase 17.7 percent annually through 2014, reaching ¥4.6 billion. Growth will benefit from the expanding size of the light vehicle park and increasing traffic congestion in many cities. Additionally, gains will be aided by the growing number of aging vehicles. The popularity of sport utility vehicles (SUVs) and multiple-purpose vehicles (MPVs) will also provide sales opportunities, ...”

--Section IV, pg. 64

TABLE IV-3
AUTOMOTIVE BRAKE PARTS & ASSEMBLIES
AFTERMARKET IN CHINA
(million yuan)

<table>
<thead>
<tr>
<th>Item</th>
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<th>2004</th>
<th>2009</th>
<th>2014</th>
<th>2019</th>
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<tbody>
<tr>
<td>Light Vehicles in Use (000) ¥ brake parts &amp; assemblies/vehicle</td>
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<tr>
<td>Brake Parts &amp; Assemblies Aftermarket Cylinders &amp; Calipers</td>
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<td>Drums &amp; Rotors</td>
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<td>Shoes, Pads &amp; Linings</td>
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<td>Other Brake Parts</td>
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<td>% brake parts &amp; assemblies</td>
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<td>Mechanical Product Aftermarket</td>
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