

2007

China Automotive Components Outlook



By 2012, average China based revenues among the Top 50 automotive component companies in China are forecast to reach \$1.08 billion per year, a 95 percent increase over 2006.



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China Automotive Components Outlook

China's automotive component sector is in the midst of a massive transformation, a transformation that began with the opening of China's industry to foreign investment in the period from 1985 to 2000, and accelerated with China's entry into the World Trade Organization in 2002.

At the heart of the transformation is a blistering demand for new vehicles and an explosion of investment in local vehicle production. China vehicle output grew from 2.8 million units in 2002 to 8.2 million units in 2007, making China the third largest vehicle producing country in the world.

Spearheading development of China's component industry is the Powerhouse 50, a ranking of companies identified by J.D. Power and Associates as the fifty leading component makers in China. The Powerhouse 50 leads some 5,000 companies active in the China component sector.

Despite the rapid growth, development of China's component sector is in its early stages. Continued growth in new vehicle demand, a rise in production for export and an increase in the after-market will boost opportunities for component makers.

J.D. Power and Associates and Automotive Resources Asia through primary and secondary research identified the Top 50 component companies in China, and mapped the industry, and projected the outlook through 2014.

China Automotive Components Outlook

T a b l e o f C o n t e n t s

Section I **Understand the Territory**

Based on its 15 years of experience tracking China, J.D. Power and Associates offers its perspective on the risky China business environment

Section II **Government Policy**

A focus on the rules that govern China's automotive industry development, and the ambiguous nature of the rule making.

Section III **Automotive Market and Production Outlook**

Expert analysis of the current trends in vehicle demand, trends in vehicle production, and the outlook to 2014.

Section IV **OEM Outlook**

An introduction to the Sino-foreign vehicle manufacturing joint ventures and the most promising domestic manufacturers, including a by-model forecast for each company to 2014.

Section V **China Component Industry**

A in depth look at the structure of China's component industry: Industry output, number of companies, country of origin, location by province, and industry outlook are topics covered.

Section VI **China's Powerhouse 50**

A ranking by China-based revenues of the Top 50 component companies, projections for revenues through 2014 and a mapping of each company's China footprint, their products manufactured, and growth strategies.

Section VII **Other Major Component Companies**

Beyond the Powerhouse 50 leading companies active in China, including the China investments for the 100 top global companies not found in the Powerhouse 50.

China Automotive Components Outlook

Benefits From Report

- Benchmark your competitors China presence, products, investment plans, and strategies
- Identify estimates of China based revenue in 2006 with projections to 2012
- Access production forecast by model of 40 key light vehicle makers
- Understand the impact China has on the performance of global component companies
- Gain a perspective on china business environment and the overall automotive industry

China Automotive Components Outlook

Deliverables and Pricing

- Two hard copies of China Automotive Components Outlook in a binder
- Two CD ROMs containing the report
- Access to website to view the study on line
- Complimentary subscription to ARA's monthly China Automotive Report
- Six months of support from analysts in China
- Subscription Fee USD 7,500, Euro 5,250
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Sample from Report

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Profile, Light Vehicle Production by Plant/Model (2004 - 2014) for:

| | | | |
|-----------------|----|-------------------|----|
| BMW | 31 | Mazda Motors | 42 |
| DaimlerChrysler | 32 | Mitsubishi Motors | 43 |
| Fiat Auto | 34 | Peugeot-Citroen | 44 |
| Ford Motor | 35 | Renault-Nissan | 45 |
| General Motors | 36 | Suzuki Motor | 46 |
| Honda Motor | 38 | Toyota Motor | 48 |
| Hyundai-Kia | 39 | Volkswagen Group | 49 |
| Isuzu Motors | 41 | | |

Chapter 5 – Vehicle Manufacturer Profiles – Chinese OEMs

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Profile, Light Vehicle Production by Plant/Model (2004 - 2014) for:

| | | | |
|-------------------|----|------------------|----|
| BAIC | 52 | Great Wall | 66 |
| Beiqi Foton | 53 | Hafei Motor | 67 |
| Brilliance Jinbei | 54 | Hebei Zhongxing | 68 |
| BYD Auto | 55 | Huayuan Kaima | 69 |
| Chang'an Auto | 56 | Jianghuai Auto | 70 |
| Chery | 57 | Jiangling Motor | 71 |
| Dongfeng Motor | 58 | Jiangxi Changhe | 72 |
| FAW | 60 | Nanjing Auto | 73 |
| FAW Car (Mazda) | 61 | SAIC | 74 |
| FAW Haima | 62 | Soueast (Fujian) | 75 |
| FAW Hongta | 63 | TAIC | 76 |
| Geely Group | 64 | | |

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| Each Profile Contains: | China Contact Details Key Customers | Global Profile Strategy and Outlook | China Profile By Plant: Year of Establishment, Equity, Employees, Location, Main Products | China Revenue Outlook | New Investments | Key Competitors |
|------------------------------------|--|--|--|-------------------------|-----------------|-----------------|
| Aisin Seiki | 94 | Hangzhou Xihu Automotive | 163 | Shandong Longji | 233 | |
| ArvinMeritor | 98 | Hella | 167 | Siemens VDO | 237 | |
| Asimco | 102 | Hitachi Automotive | 171 | SKF | 241 | |
| Autoliv | 106 | Hyundai Mobis | 175 | Sumitomo Wiring Systems | 245 | |
| Bosch | 110 | Johnson Controls | 179 | ThyssenKrupp | 249 | |
| Changshu Automotive Interior Parts | 114 | JTEKT | 183 | Toyoda Gosei | 253 | |
| Continental Automotive Systems | 118 | Koito | 187 | Toyota Boshoku | 257 | |
| Dana | 122 | Lear | 191 | TRW Automotive | 261 | |
| Delphi | 126 | Magna International | 195 | TS Tech | 265 | |
| Denso | 130 | Mahle | 199 | Valeo | 269 | |
| Dongfeng Parts & Components | 134 | Mando | 203 | Visteon | 273 | |
| Eaton | 138 | Norstar Automotive Industries Inc | 207 | Wanfeng Auto Wheel | 280 | |
| Faurecia | 142 | NSG-Pilkington | 211 | Wanxiang Group | 284 | |
| Fawer | 146 | NSK | 215 | Yazaki | 288 | |
| Federal-Mogul | 151 | NTN | 219 | ZF | 292 | |
| Fuyao Glass Group | 155 | SAIC | 223 | Zhengxing Wheel Group | 296 | |
| GKN | 159 | Shaanxi Fast Auto | 229 | | | |

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300

(Concise profiles of other leading global manufacturers in China)

| | | | | | |
|-------------------------------|-----|---------------------|-----|----------------------|-----|
| Asahi Glass Company | 301 | Grupo Antolin | 312 | Sanden | 322 |
| Alcoa | 301 | Honeywell | 313 | Shandong Kangda | 323 |
| American Axle & Manufacturing | 302 | J Eberspaecher | 314 | Shijiazhuang Jingang | 324 |
| BASF | 302 | Kautex | 314 | SG Automotive | 325 |
| Behr | 303 | Keihin | 315 | Showa | 326 |
| Benteler | 303 | Kostal | 315 | Stanley Electric | 326 |
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| Bridgestone | 305 | Kolbenschmidt | 316 | Takata | 328 |
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| Calsonic-Kansei | 306 | Magneti Marelli | 317 | Tenneco | 329 |
| China Automotive Systems | 307 | Metaldyne | 318 | Tokai Rika | 329 |
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| Cummins | 308 | Mitsubishi Electric | 319 | Tomkins | 331 |
| DuPont | 309 | Nemak | 320 | Tower Automotive | 332 |
| Dura | 309 | NHK | 320 | Webasto | 332 |
| Freudenberg | 310 | PPG | 321 | Wonder Auto | 333 |
| Goodyear | 311 | Rieter | 321 | | |
| Georg Fischer | 312 | Saint Gobain | 322 | | |



GENERAL MOTORS OUTLOOK



COMPANY OVERVIEW

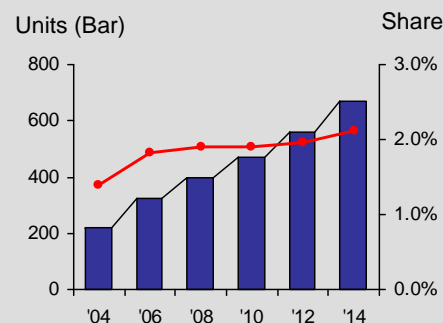
General Motors established a joint venture with Shanghai Automotive Industry Corporation (SAIC) in 1997, called Shanghai-GM. The company has since grown into one of the most successful foreign passenger car makers in China – having benefited significantly from the strong demand growth in China since the early 2000s.

Shanghai-GM began assembling the Buick Regal in late 1998 and the Buick GL8 and Chevrolet Sail shortly after. The Cadillac brand was launched in 2005. Shanghai-GM controls three assembly plants in China, in Yantai, Shenyang and Shanghai, while the Spark model is produced at SAIC-Wuling's plant.

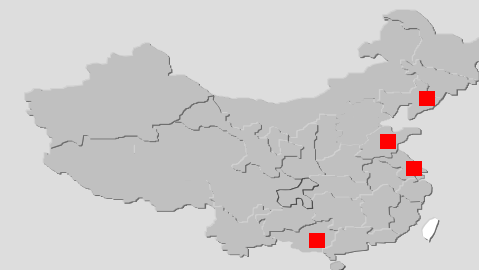
The Buick Excelle compact model was launched in 2003, to become the company's best-selling model with 177,000 produced at the Shanghai plant in 2006. Shanghai-GM's annual output is forecast to more than double by 2014, helped also by high volumes of the Lacrosse, Lova and Aveo models.

COMPANY DETAILS

Sales Forecast



Plant Location



| GENERAL MOTORS | PLANT | 2004 | 2005 | 2006 | 2007F | 2008F | 2009F | 2010F | 2011F | 2012F | 2013F | 2014F |
|----------------------------------|----------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total LV Production | | 4,664 | 5,198 | 6,679 | 7,898 | 8,972 | 10,164 | 11,425 | 12,588 | 13,760 | 14,951 | 16,196 |
| LV Production Growth | | | 10.3% | 22.2% | 15.4% | 12.0% | 11.8% | 11.0% | 9.2% | 8.5% | 8.0% | 7.7% |
| General Motors Production | | 265 | 359 | 457 | 481 | 481 | 551 | 631 | 772 | 846 | 900 | 958 |
| SAIC-Wuling | | 11 | 27 | 42 | 40 | 40 | 41 | 101 | 174 | 221 | 230 | 243 |
| Spark | Guangxi | 11 | 27 | 42 | 40 | 40 | 41 | 45 | 0 | 0 | 0 | 0 |
| Spark | Qingdao | 0 | 0 | 0 | 0 | 0 | 0 | 57 | 174 | 221 | 230 | 243 |
| Shanghai-GM | | 253 | 332 | 415 | 441 | 441 | 510 | 529 | 599 | 625 | 670 | 715 |
| Aveo | Yantai | 0 | 15 | 17 | 8 | 15 | 32 | 43 | 53 | 59 | 65 | 76 |
| Blazer | Shenyang | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Captiva | Yantai | 0 | 0 | 0 | 0 | 8 | 14 | 15 | 17 | 19 | 21 | 24 |
| Century/Regal | Shanghai | 75 | 62 | 35 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CTS | Shanghai | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Epica | Yantai | 0 | 25 | 24 | 31 | 37 | 38 | 32 | 47 | 52 | 57 | 62 |
| Epsilon Short | Shanghai | 0 | 0 | 0 | 0 | 6 | 25 | 39 | 53 | 59 | 64 | 70 |
| Excelle | Shanghai | 93 | 152 | 177 | 186 | 169 | 16 | 0 | 0 | 0 | 0 | 0 |

'000 Units



GENERAL MOTORS OUTLOOK



'000 Units

| GENERAL MOTORS | PLANT | 2004 | 2005 | 2006 | 2007F | 2008F | 2009F | 2010F | 2011F | 2012F | 2013F | 2014F |
|-------------------|----------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Excele | Yantai | 0 | 0 | 0 | 0 | 0 | 169 | 166 | 177 | 167 | 171 | 171 |
| GL8 | Shanghai | 33 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GL8 Firstland | Shenyang | 0 | 18 | 40 | 35 | 44 | 42 | 44 | 44 | 44 | 46 | 48 |
| Lacrosse (Junyue) | Shanghai | 0 | 0 | 56 | 71 | 76 | 87 | 89 | 99 | 110 | 121 | 126 |
| Lova | Yantai | 0 | 0 | 39 | 74 | 65 | 61 | 63 | 69 | 71 | 77 | 84 |
| Park Avenue | Shanghai | 0 | 0 | 0 | 7 | 6 | 6 | 6 | 6 | 7 | 7 | 7 |
| Royaum (China) | Shanghai | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| S-10 | Shenyang | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sail | Shanghai | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sail | Yantai | 47 | 47 | 27 | 11 | 9 | 12 | 25 | 27 | 29 | 32 | 37 |
| SLS | Shanghai | 0 | 0 | 0 | 5 | 6 | 7 | 7 | 7 | 8 | 8 | 10 |
| SRX | Shanghai | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

CHINA CONTACT

| | | |
|---------|---|-----------------|
| COMPANY | Valeo Management Services (China) | |
| ADDRESS | 2101 SciTech Tower 22 Jian Gou Men Wai Avenue 100004 Beijing P R China | |
| TEL/FAX | 86 10 6515 0366 | 86 10 6512 5066 |
| WEBSITE | www.valeo.com | |

GLOBAL

Valeo SA employs in excess of 71,000 people across 131 manufacturing facilities worldwide and generated a turnover of close to € 10 billion in 2006 (US\$ 13.2 billion). The French group produces a broad range of components and systems, mostly electrical, electro-mechanical and electronic systems such as security and locking mechanisms, wiper systems, engine electrics and electronic management systems, lighting, interior controls and active and passive safety systems. It also makes clutches, HVAC and engine cooling systems.

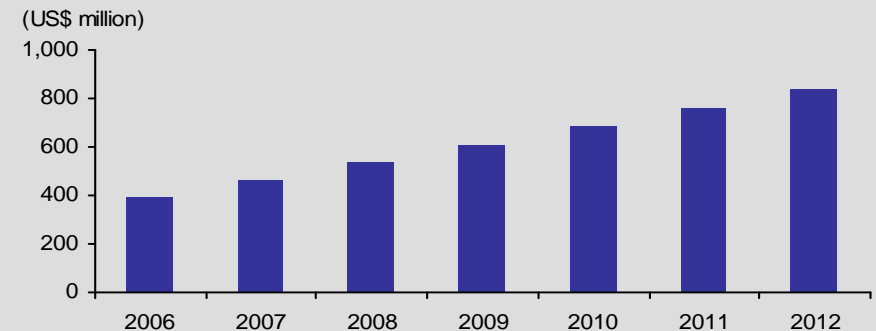
CHINA

Valeo has been operating in China since 1994 and today manufactures a broad range of OE and aftermarket products – mainly for the domestic market. The company intends to produce all of its mainstream global products in China as it looks to meet the growing requirements of its OE customers in the country. It also plans to focus more effort on exporting its Chinese-made parts to high-cost markets in Europe and elsewhere. The company employs almost 4,000 people in China and supplies parts to most foreign passenger car manufacturers in the country. In 2006, it generated Rmb3.1 billion (US\$ 395 million) in revenues from its Chinese operations.

Valeo's national headquarters is located in Beijing, which is supported by operational headquarters in Shanghai and Wuxi, in Jiangsu province. It has technical/R&D centres in Wuhan for lighting systems and in Shenzhen for detection systems and switches. The company operates 15 plants in China, located mostly in Shanghai and in nearby Jiangsu province.

AT-A-GLANCE

| | GLOBAL | CHINA |
|----------------------|---------|--------|
| SALES (US\$ million) | 13,200 | 395 |
| EMPLOYEES | 71,000 | 4,000 |
| SALES/EMPLOYEE | 185,900 | 98,750 |
| PLANTS | 131 | 15 |

REVENUE OUTLOOK


CHINA MANUFACTURING FOOTPRINT

1 Wiper systems
Taizhou Valeo-Wenling Automotive Systems Co Ltd

1 Wiper systems, motors
Valeo Shanghai Electric Motors & Wipers Syst. Co Ltd

1 Electrical systems, parts
Valeo Shanghai Automotive Electrical Systems Co Ltd

1 Electrical systems, parts
Valeo – Speed Controllers (Telma) Plant Co Ltd

2 Lighting
Foshan Valeo Ichikoh Auto Lighting Co Ltd

2 Switches, ultrasonic systems
Valeo Hangsheng Electronics Co Ltd

3 Lighting
Hubei Valeo Auto Lighting Co Ltd

3 Engine cooling systems/parts
Valeo Engine Cooling China Co Ltd

3 HVAC systems
Valeo Shashi A/C Co Ltd

4 Compressors
Huada-Zexel Automotive Air Conditioner Co Ltd

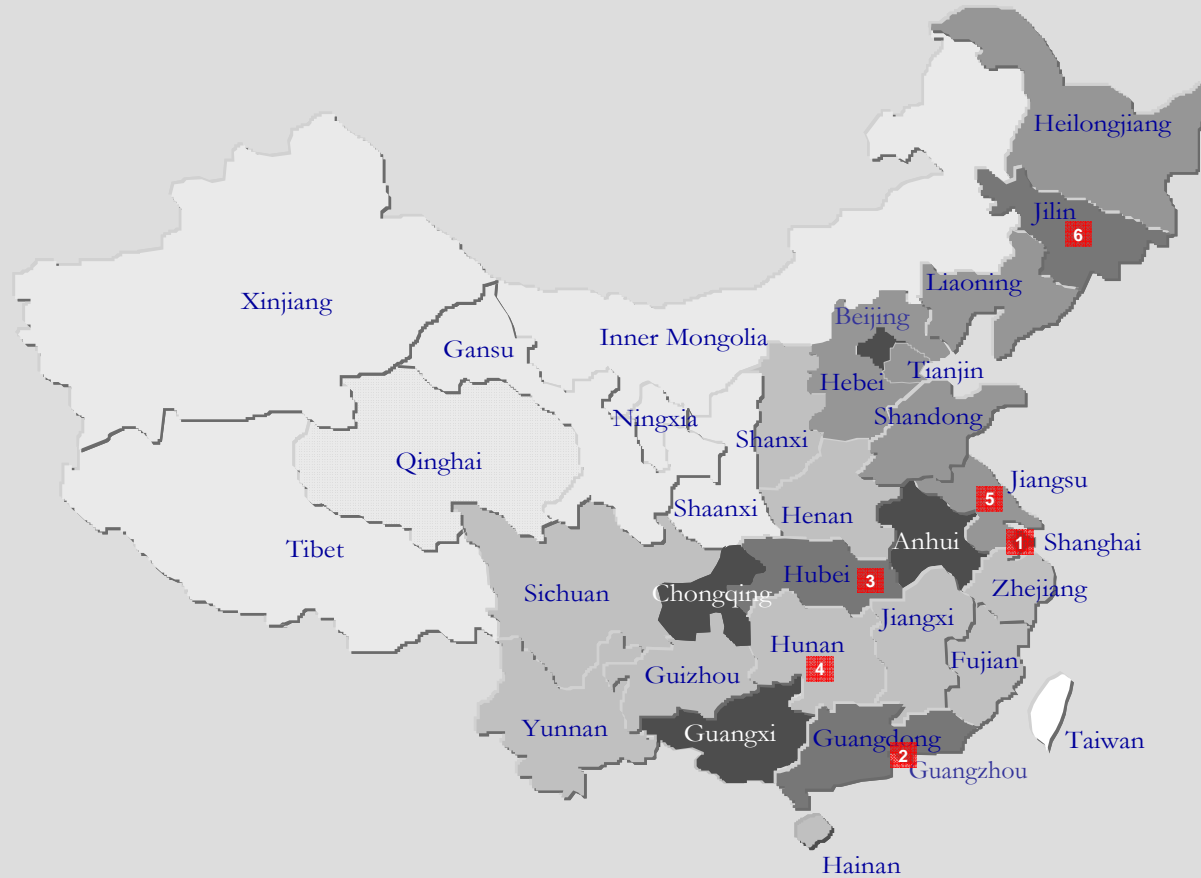
5 Transmissions
Valeo Automotive Transmissions Systems (Nanjing) Co Ltd

5 Security systems
Valeo Automotive Security Systems (Wuxi) Co Ltd

5 Clutch systems
Nanjing Valeo Clutch Co Ltd

6 HVAC systems
Valeo Zexel China Climate Control Co Ltd

6 Compressors
Valeo Fawer Compressor – Changchun Co Ltd



2007 Forecast Production Volume

No Production
 ≤ 200,000
 200,001 – 400,000
 400,001 – 600,000
 ≥ 600,001

| | COMPANY | EST. | EQUITY | STAFF | LOCATION | MAIN PRODUCTS |
|----|---|------|--------|-------|-----------|------------------------------|
| 1 | Valeo Zexel China Climate Control Co Ltd | 1994 | 36.5 | 235 | Jilin | HVAC systems |
| 2 | Valeo Shashi A/C Co Ltd | 1994 | 55 | 265 | Shashi | HVAC systems |
| 3 | Taizhou Valeo-Wenling Automotive Systems Co | 1994 | 55 | 338 | Wenling | Wiper systems |
| 4 | Hubei Valeo Auto Lighting Co Ltd | 1995 | 100 | 600 | Hubei | Lighting |
| 5 | Huada-Zexel Automotive Air Conditioner Co Ltd | 1996 | 30 | 168 | Hunan | Compressors |
| 6 | Valeo Shanghai Electric Motors & Wipers Systems Co Ltd | 1996 | 55 | 226 | Shanghai | Wiper systems, motors |
| 7 | Valeo Shanghai Automotive Electrical Systems Co Ltd | 1996 | 50 | 782 | Shanghai | Electrical systems, parts |
| 8 | Valeo Engine Cooling China Co Ltd | N/A | N/A | N/A | Shashi | Engine cooling systems/parts |
| 9 | Nanjing Valeo Clutch Co Ltd | 1997 | 55 | N/A | Jiangsu | Clutch systems |
| 10 | Valeo Automotive Transmissions Systems (Nanjing) Co Ltd | 1997 | 70 | 172 | Jiangsu | Transmissions |
| 11 | Valeo Fawer Compressor -Changchun Co Ltd | 2005 | 60 | 320 | Jilin | Compressors |
| 12 | Valeo Hangsheng Electronics Co Ltd | 2005 | 75 | N/A | Shenzhen | Switches, ultrasonic systems |
| 13 | Valeo – Speed Controllers (Telma) Plant | 2005 | 70 | 24 | Shanghai | Electrical systems, parts |
| 14 | Valeo Automotive Security Systems (Wuxi) Co Ltd | 2005 | 100 | 400 | Jiangsu | Security systems |
| 15 | Foshan Valeo Ichikoh Auto Lighting Co Ltd | 2007 | 50 | 400 | Guangdong | Lighting |

MAIN CUSTOMERS

Valeo's long-standing presence in China has allowed it to develop a broad OE customer base and an expanding aftermarket business in the country. Its top five OE customers, Volkswagen Changchun, Volkswagen Shanghai, Guangzhou Peugeot, Guangzhou Nissan, and Shanghai GM, account for around 45% of revenues.

MAIN COMPETITORS

Given its broad product range, Valeo competitors are numerous:

- Safety systems: TRW, Autoliv and Delphi
- Engine electrics and electronics: Denso, Bosch, Siemens VDO, Hella, Hitachi, Delphi, Visteon and Continental;
- Lighting: Hella, Koito, Visteon, Stanley Electric and Magneti Marelli;
- HVAC and engine cooling systems: Denso, Calsonic, Visteon, Delphi, Sanden and Behr.

NEW INVESTMENTS

A joint 50:50 joint venture with Japan's Ichiko, called Foshan Valeo Ichiko Auto Light, came on stream in April 2007 making automotive lighting.

Valeo is planning to establish a new wholly-owned engine management systems plant in Wuhan in anticipation of Euro 4 regulations.

Valeo is building a new wholly-owned electrical systems (retarders) factory in Shanghai for a 2008 start-up.

STRATEGY AND OUTLOOK

Valeo has a strong customer-base in China, reflecting the strong European presence in the country's automotive market. The group has continued to invest heavily in China to stay abreast with the requirements of the domestic industry and to anticipate forthcoming technology requirements. The company plans to expand its export production to help reduce its global cost-base and help meet its medium-term target of sourcing up to 70% of its global parts from low-cost countries. A significant part of this will come from China. Overall revenues from its Chinese operations are forecast to reach US\$ 841 million by 2012, based on its current customer profile.

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