

The New Economy Era Of China Automotive Aftermarket

China Auto parts and accessories corporation

May 2015

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China automotive sector present situation analysis

China automotive sector present situation analysis

Chinese auto industry scale grows steadily and become an important part of the world automotive industry:

Since 2009, China auto production has been the first in the world. In 2014, China auto production and marketing are 23.723 million and 23.492 million , year-on-year growth are 7.3% and 6.9% , China market share in the global auto industry has increased from 3.5% in 2000 to 27.4% in 2014 , China has become a real world car manufacturer and an important part of the world automotive industry.

The automotive quantity of China from 2009 to 2014

Year	The total of automotive	Passenger vehicle		Commercial Vehicle
			Saloon Vehicle	
2009	13790994	10383831	7471194	3407163
2010	18264667	13897083	9575890	4367584
2011	18418876	14485326	10137517	3933550
2012	19271808	15523658	10767380	3748150
2013	22116825	18085213	12100772	4031612
2014	23722890	19919795	12481052	3803095

The automotive sale quantity of China from 2009 to 2014

Year	The total of automotive	Passenger vehicle		Commercial Vehicle
			Saloon Vehicle	
2009	13644794	10331315	7473106	3313479
2010	18061936	13757794	9494269	4304142
2011	18505114	14472416	10122703	4032698
2012	19306435	15495240	10744740	3811195
2013	21984079	17928858	12009704	4055221
2014	23491893	19700569	12376702	3791324

China automotive sector present situation analysis

The growth of the Chinese auto industry, has intensified china market competition

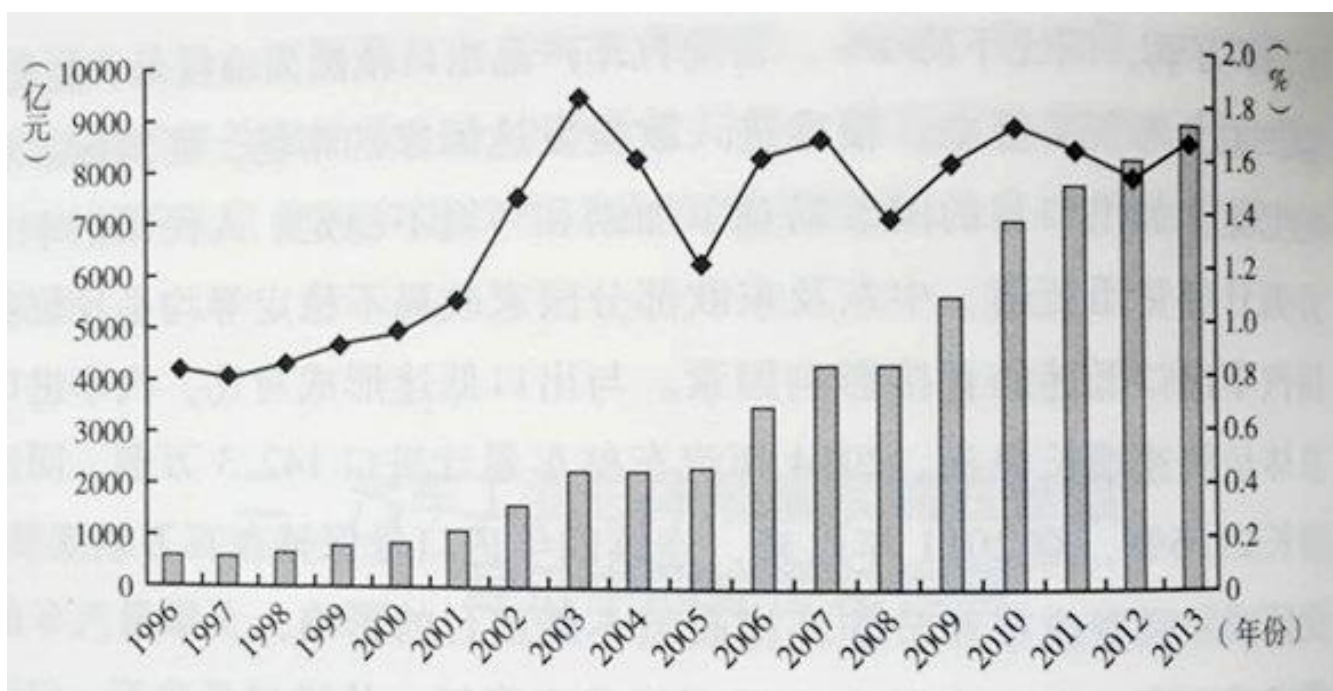
The growth of China automotive market has attracted almost all multinational companies to invest in China . It promoted the status of China in the whole industry chain strategic layout. VW、 GM' s sales in China market has been reached about a third of its global volume of sale, Toyota also said that China market is the most important , With increase of China automotive market status, China's auto enterprises increasingly fierce competition.



China automotive sector present situation analysis

As the status of China automotive industry in the macroeconomic, it pull function significantly

Automotive industry chain is long、 wide coverage and a lot of upstream and downstream related industries. It is in the construction of Chinese economy plays a very important role and support and drive China 's economy continued rapid growth. The added value of Automotive industry' s key enterprises that in the national GDP rose from 0.85% in 1996 to 1.66% in 2013 , the average annual growth rate is 1.35%.



The added value of Automotive industry' s key enterprises that in the national GDP from 1996 to 2013

By the end of 2014, China auto inventory

- The total of motor vehicle is 264 million ;
- Motor vehicle drivers exceed 300 million people , more than 246 million is vehicle drivers;
- The total of small passenger cars is 117 million , including 105 million units of private cars
- The national average per hundred households with 25 private car.

China automotive sector present situation analysis

In 2014, China new energy automotive production and sales :

China new energy automobile production and promotion in 2014 unit : thousand , %

Car production	2014	2013	Year-on-year growth
Total	78.55	17.5	349
Pure electric	48.6	14.2	242.3
A fuel cell	0	0	0
Plug-in hybrid	29.9	33	806.1

The total of promotion	2014	2013	Year-on-year growth
Total	74.8	17.6	325
Pure electric	45.1	14.6	208.9
A fuel cell	0	0	0
Plug-in hybrid	29.7	3	890

- In 2014, under the impetus of the national a series of good policy, new energy vehicles has maintained a rapid growth momentum. According to the statistical CAAM association. By the end of 2014, new energy automotive production and marketing completed 78.5 thousand and 74.8 thousand, compare the previous year growth 3.5 times and 3.3 times. Pure electric vehicle production and marketing finished 48.6 thousand and 45.1 thousand, compare the previous year growth 2.4 times and 2.1 times; Plug-in hybrid electric vehicle production and marketing finished 29.9 thousand and 29.7 thousand, compare the previous year growth 8.1 times and 8.9 times. We believe, , under the impetus of the national a series of good policy, new energy vehicles will continue to maintain rapid growth momentum.

China automotive sector present situation analysis

In the next few years, China automotive market will maintain steady growth, but uncertain factors increase:

The trend of passenger vehicle:

Favorable factors: 1. In the next 5-10 years, the market will transform popularize to late popularization stage. 2. Three or four line city become a key battleground. 3. First-line second-tier cities increase in demand is an important force in market continues to grow. 4. The official car reform is unfolding in the whole country and the domestic oil prices continue to run low. 5. New energy vehicles preferential policy gradually perfection.

Adverse factors: 1. Sustained economic downward restricted the consumers' purchasing power. 2. Dealers profit declines and channel stability face challenges 3. The market competition is intense.

The trend of Commercial vehicle :

Favorable factors: 1. Light trucks: Production and business operation gradually norm, the market will be recovered. 2. Advance of urbanization, the development of electrical business logistics and new energy vehicles will lead to growth opportunities.

Adverse factors: 1. Sustained economic downward. 2. Severe overcapacity in the industry、the market competition is intense、the low level of corporate profits will increase the risk of the industry.

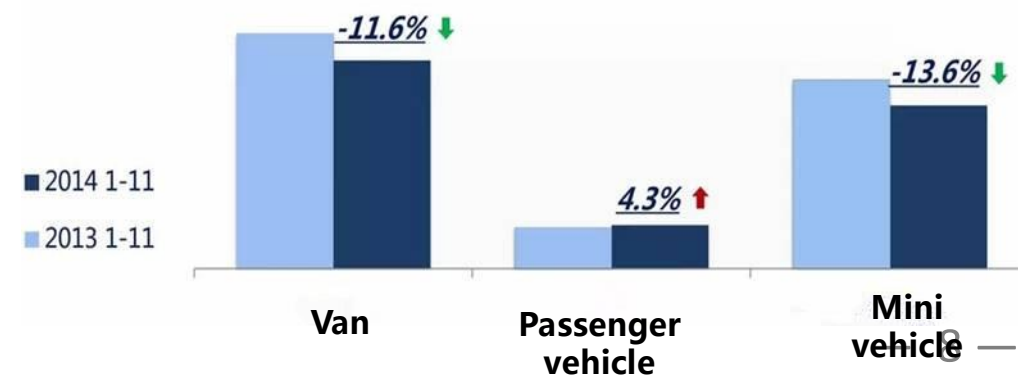
The trends of different displacement in the market



The trends of different displacement in the market



Commercial vehicles market sales situation in 2014 (January to November)



China automotive aftermarket sector present situation analysis

China automotive aftermarket sector present situation analysis

Automotive aftermarket sector definition:



Automotive aftermarket sector has different definition, sum up the main principle is defined: after Oems completion, according to consumer needs then produce all expenses related to the car , it is an organic component of the automobile industry chain. Auto parts and accessories sales is the rigid demand of consumers , also is the largest part of the market.

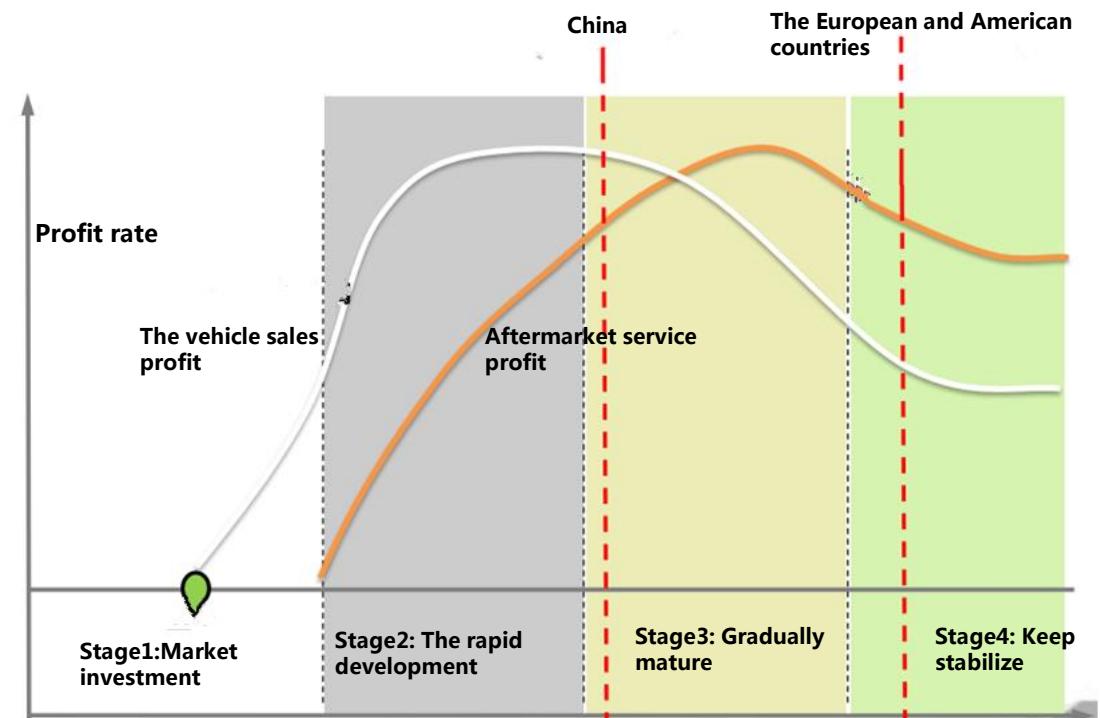
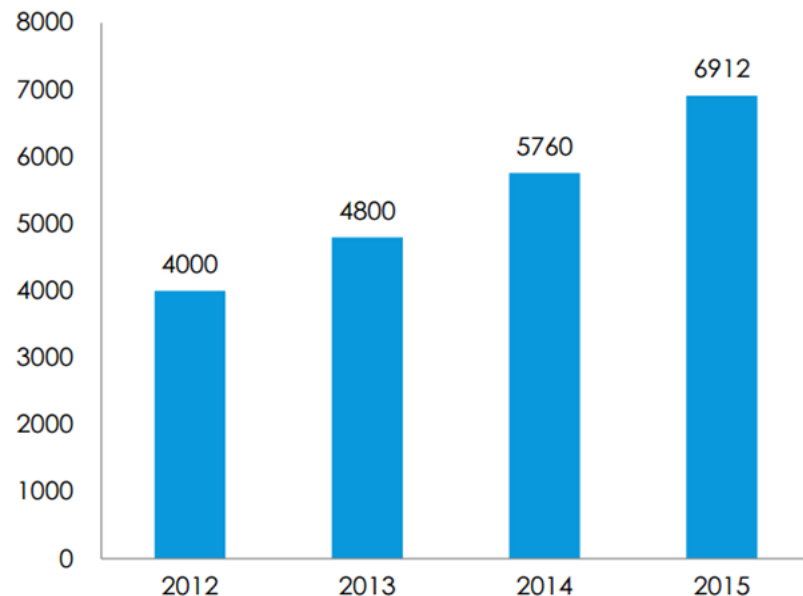
China automotive aftermarket sector present situation analysis

China automotive aftermarket development space is continuously improving, It is known as the gold industry :

Within the life cycle of each car, every car use-cost is 2 ~ 3 times of its price. And automotive aftermarket is the most stable source of profits in the automobile industry chain. It is about automotive industry chain around 60-70% of the total profits. Therefore , automotive aftermarket is known as the "gold industry" . With the increase of auto sales, China automotive aftermarket sector development space is improving.

China automotive aftermarket market sizing

Unit: Hundred million



China automotive aftermarket sector present situation analysis

China automotive aftermarket scale:

Automotive aftermarket scale is 800 billion

- Automotive aftermarket has 19 development direction, the scale is 600-800 billion
- In the next five years, with the increase of car's age and ownership, the number will be more than one trillion and became the second largest market in the world

Automotive aftermarket investment growth ten times

- There were 1756 investment events in China capital market in 2014
- 150 investment events associated with the auto industry, the total investment is 10 times than 2013

Annual repair output value

- By the end of 2013, there are 480 thousand repair enterprise, 3 million workers, 330 million times repair and more than 500 billion output value
- Trend predict: the inventory will be 250 million and annual repair output value more than One trillion
- The rate of large repair plant is 15-20%,

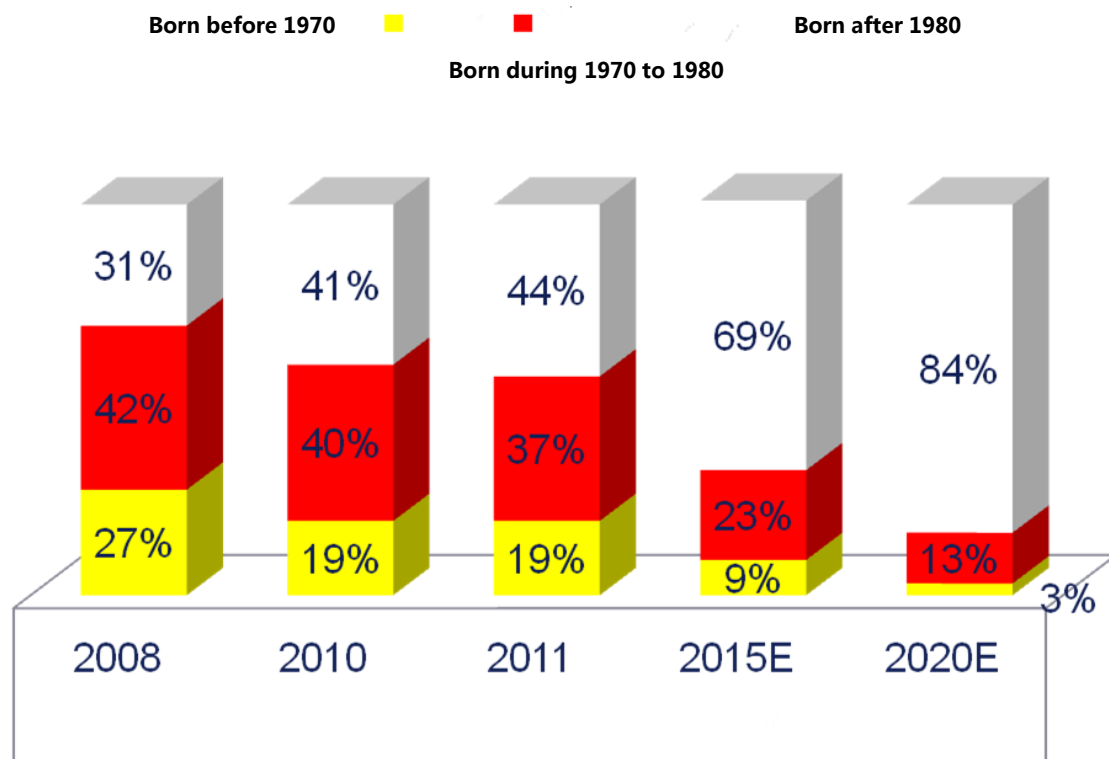
More than warranty period is 67 million

The inventory is 140 million and The average age of car is 3.23

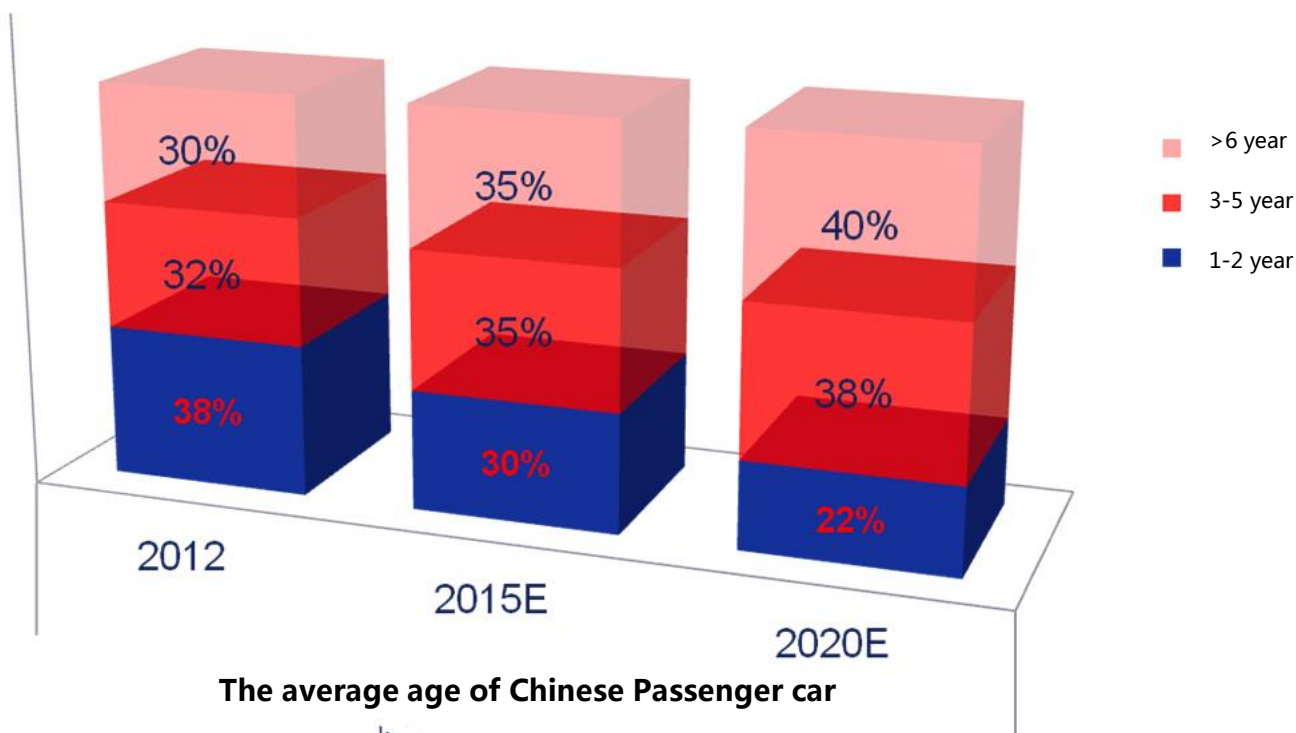
By the end of 2015, the cars which more than warranty period is 67 million, it accounts for 54% of the total

China automotive aftermarket sector present situation analysis

The ratio of auto age and consumer changes:



The change of Chinese auto consumers' age



The average age of Chinese Passenger car

China automotive aftermarket sector present situation analysis

The development of China automotive aftermarket service mode has experienced five patterns:

I-Independent repair plant: early in China, vehicle maintenance and repair of basic using this model, we often say that comprehensive repair shops.

II-Authorized service shop: As Shanghai Volkswagen and other car joint venture came to China, domestic appeared "authorized service shop" , they just provided services for some specific brands of car.

III-4S store: "4S model" , at present, Chinese main car production enterprises generally adopt this way. This model originated in Europe, that is the whole car sales, parts supply, accessories services and information feedback.

IV-Fast repair services shop: aftermarket chain shop model represented by America,. In recent years, this model development fast in China, it' s on the basis of the standardization service price transparency to provide car maintenance, repair and auto beauty.

V-Brand maintenance and beauty shop: This model came into China , these shops provide car maintenance, repair and other services.

China automotive aftermarket sector present situation analysis

All modes coexist in the automotive aftermarket:

Aftermarket service system is mainly composed of 4s shops, large and medium-sized maintenance companies, small car repair shops, repair shops, chain repair shops, professional repair shops and salons.

Category	Representative	Definition
4S shops		Authorized by the manufacturer, it includes sales, aftermarket and accessories supply.
large and medium-sized maintenance companies		Main business is car maintenance, but it s not authorized.
Small car repair shops		Main business is selling auto parts and provide installation, the shops are small.
Chain repair shops		Using a unified enterprise logo, implement unified procurement and distribution system, using the same service standards up in whole or in part.
Professional repair shops		A accessories brand specialty chain shop , only provide your own products.
Auto beauty shops		Traditional auto beauty chain shop, its main business is maintenance and quick repair.

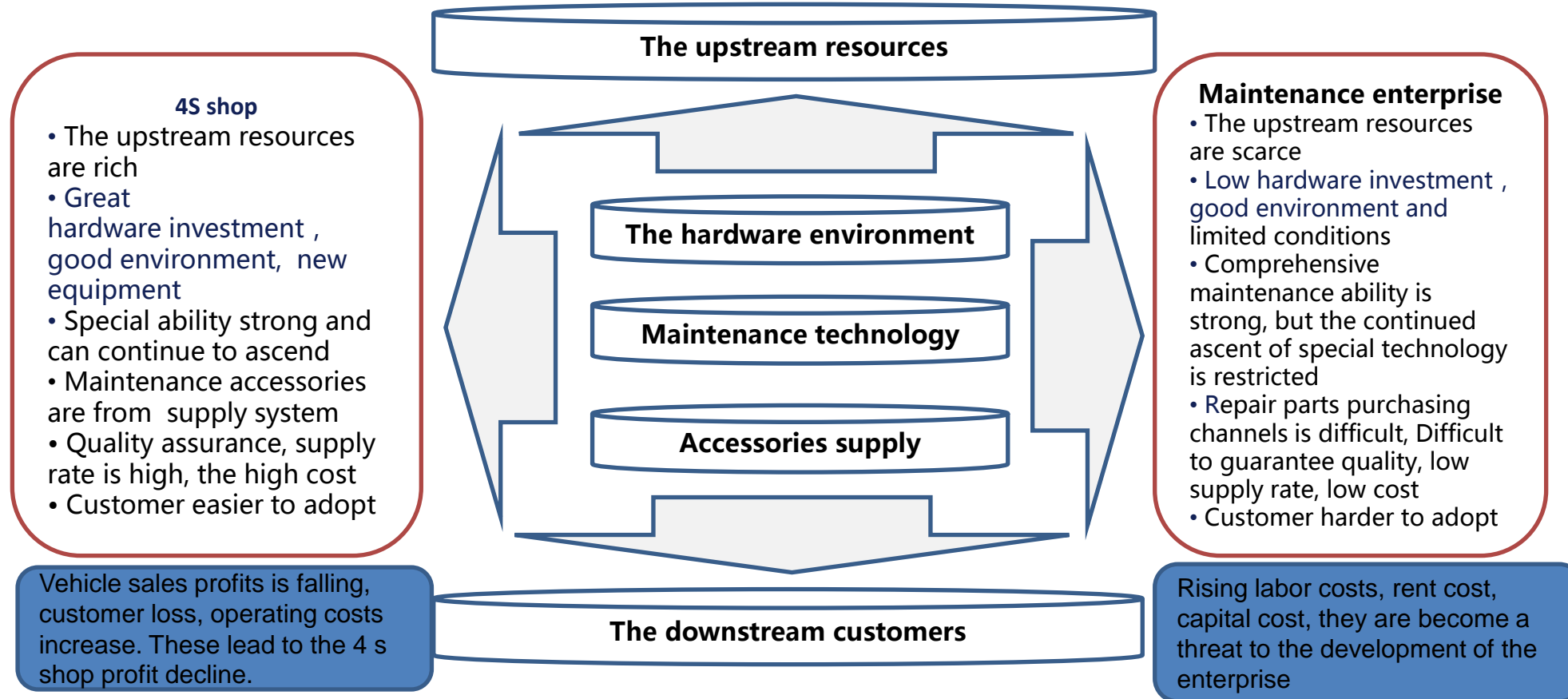
China automotive aftermarket sector present situation analysis

Different shape to adapt to different customer types:

Category	Advantage	Disadvantaged
4S shop	Brand Professional technology and equipment Reliable	Price is high Only a specific brand service Shops less and long distance
large and medium-sized maintenance companies	More professional Maintenance models widely Agility management	Concept and image are shortcomings
Small car repair shops	The price is low Convenience	Low professional Poor quality of accessories
Chain repair shop	More professional service Main business is universality service project The price is reasonable	Single service project No original accessories
Professional repair shops	Large scale The price is reasonable Unified management	Business products, Just enter the market, it is accepted degree is low
Auto beauty	Large scale The price is reasonable Unified management	Single ability Just enter the market, it is accepted degree is low

China automotive aftermarket sector present situation analysis

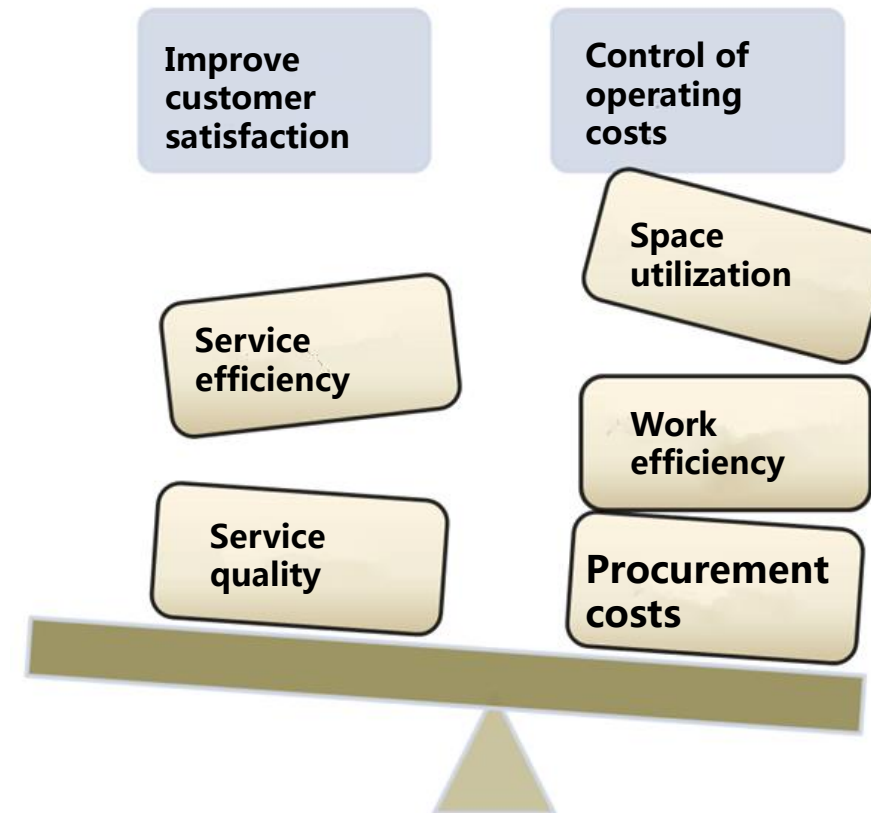
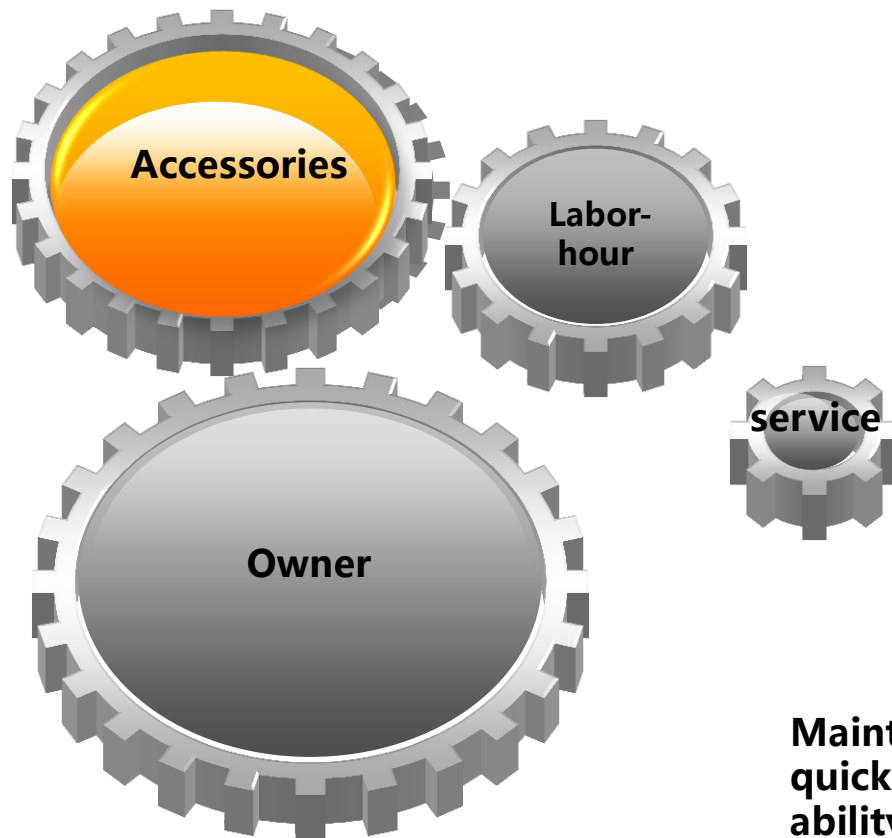
The maintenance enterprise survival status:



China automotive aftermarket sector present situation analysis

Maintenance enterprise profit model:

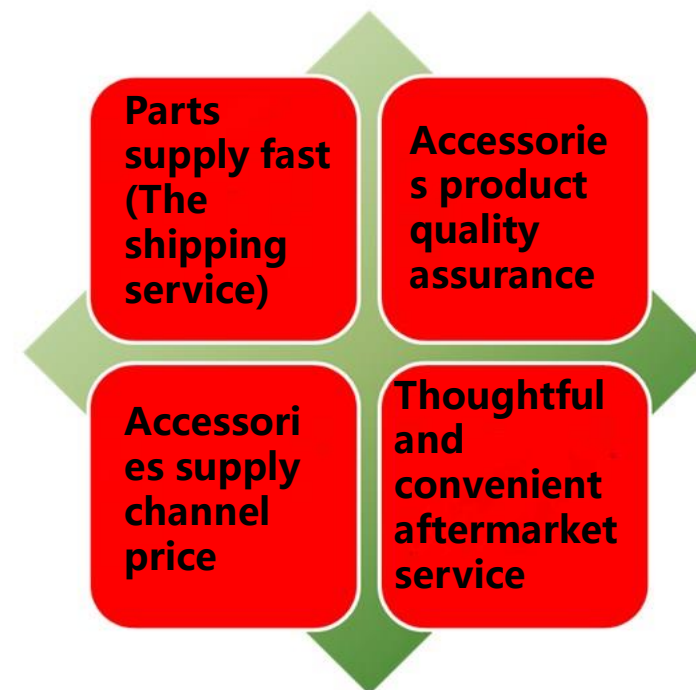
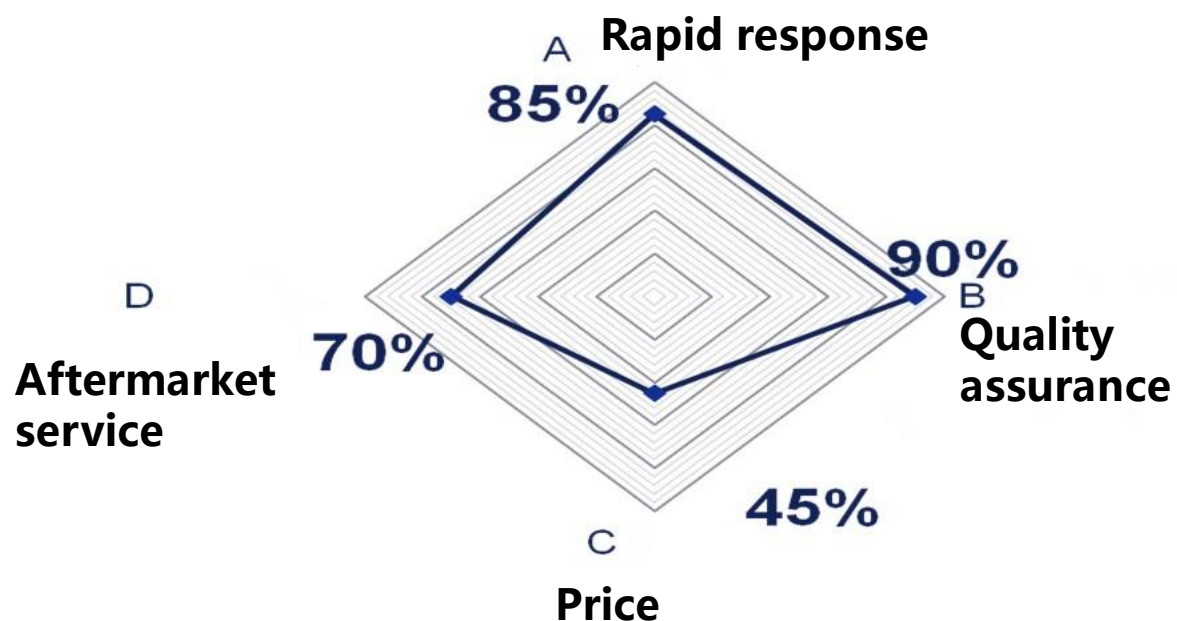
Maintenance enterprise imbalance of value chain



Maintenance enterprises including I、 II、 III category repair shop, quick fix, auto beauty shop, profit is not rely on technical service ability, they depend on parts of premium, insurance business commission and the sale of scrap parts.

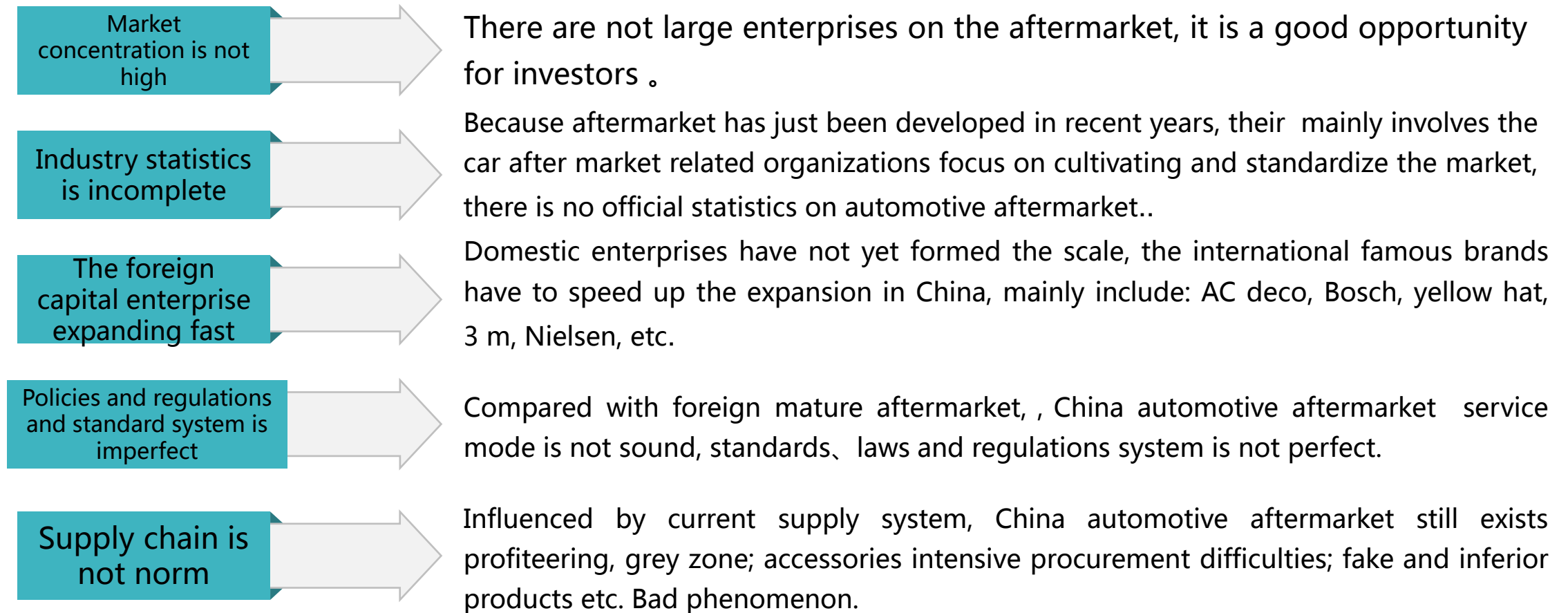
China automotive aftermarket sector present situation analysis

The point of Maintenance enterprises focus on parts supply:



China automotive aftermarket sector present situation analysis

China automotive aftermarket existing problems:



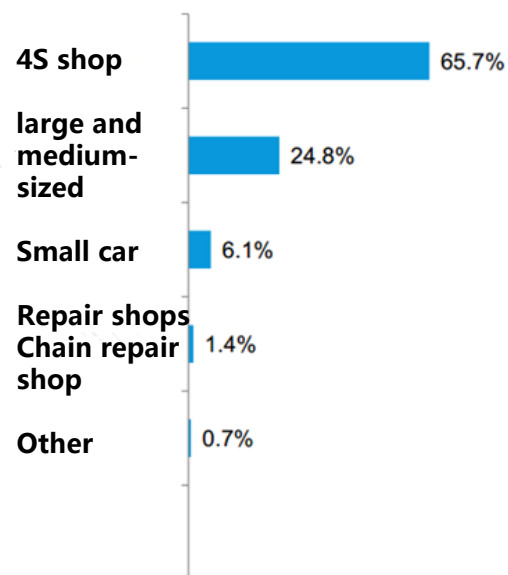
The future trends and change of China automotive aftermarket

The future trends and change of China automotive aftermarket

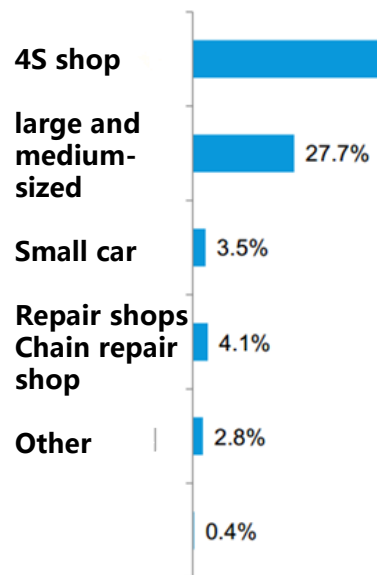
Change I : Consumers in the automotive aftermarket are more matured and reasonable. The selection of maintenance agency is gradually decentralized:

According to recent study, 4S stores are losing more customers comparing to previous year, which means maintenance companies, chain stores, as well as new professional maintenance & Beauty stores are occupying more and more market shares. The main reason for them to leave 4S system is the high price. When choosing where to maintain their cars, the customers care the most about the technique and price, while the added services and personal relationship are comparatively less important.

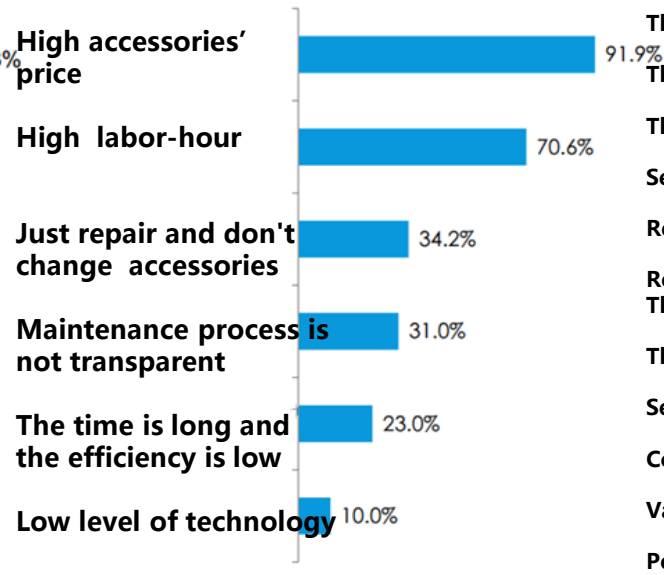
Maintenance organizations to choose(2008)



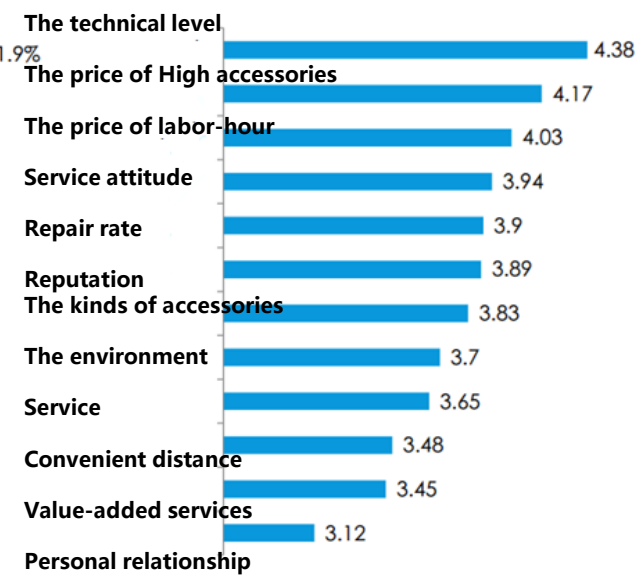
Maintenance organizations to choose(2012)



The reason of 4s store user loss



The user concerns



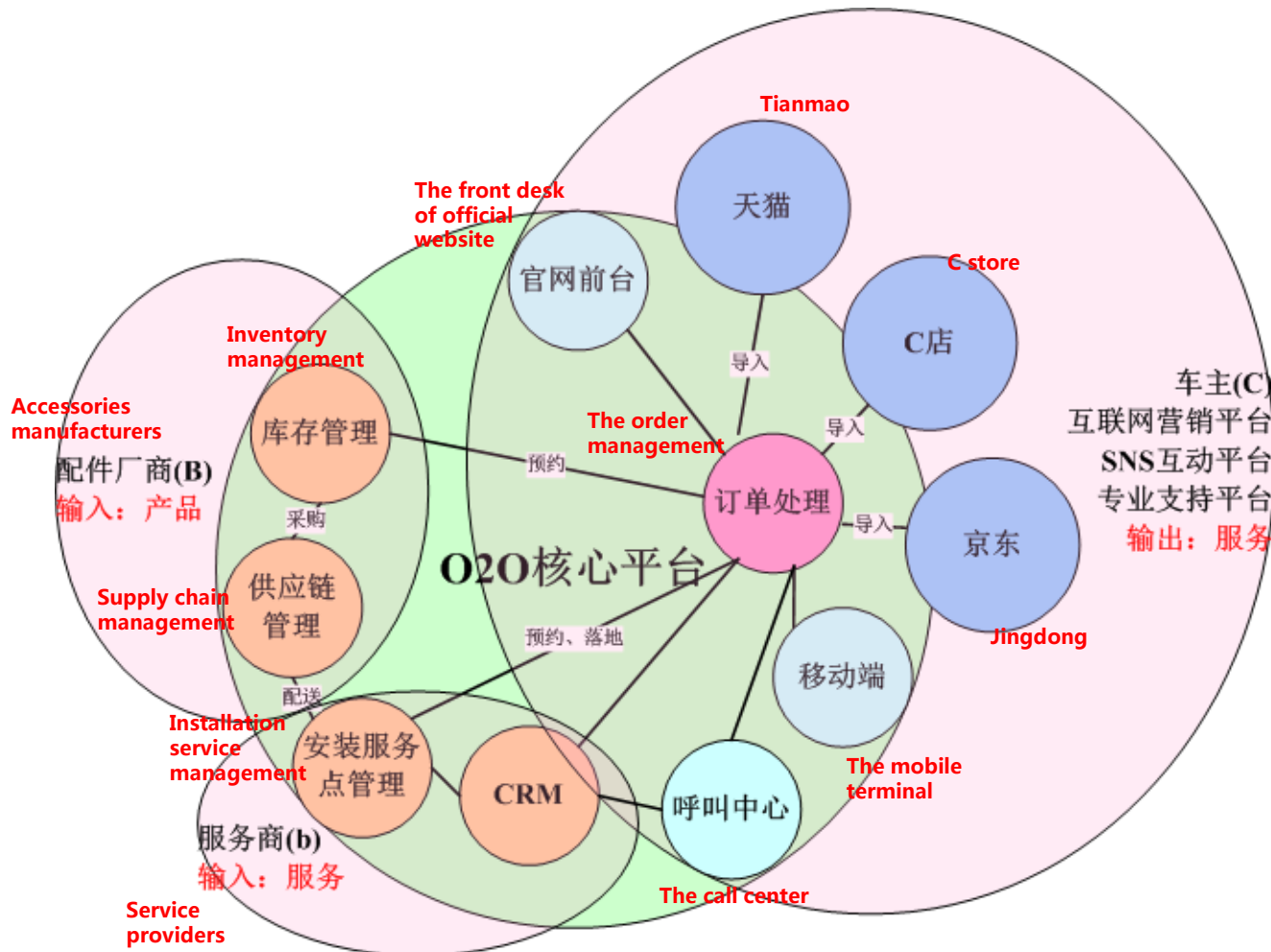
The future trends and change of China automotive aftermarket

Change II : Automotive aftermarket is attracting more attention from government recently. Dramatic changes could be expected in the policy environment:

September 3rd 2014, 10 government institutions, including Ministry of Transport, National Development and Reform Commission, announced an official documents 'No.186 Transport Development (2014)' – Instruction of transforming automotive maintenance industry and upgrading service quality. The instruction clearly demonstrates, that with the help of 5-year attempt, automotive maintenance industry will be basically transformed from expansion-of-scale model to quality-benefit model. The market will be more matured, better distributed and structured, and ordered more fairly. The main participants of the market will be more honest so that the distribution of resources will be more reasonable and efficient, leading significant development of automotive aftermarket. The instruction pointed that after 5 years, the industry should also complete the transforming from extensive service to quality service, providing the citizens with a more transparent, economic, convenient and satisfactory automotive maintenance and consuming service.

The future trends and change of China automotive aftermarket

Change III : Information technology is merging into China automotive aftermarket, allowing the service to have higher efficiency, intelligence and integration:

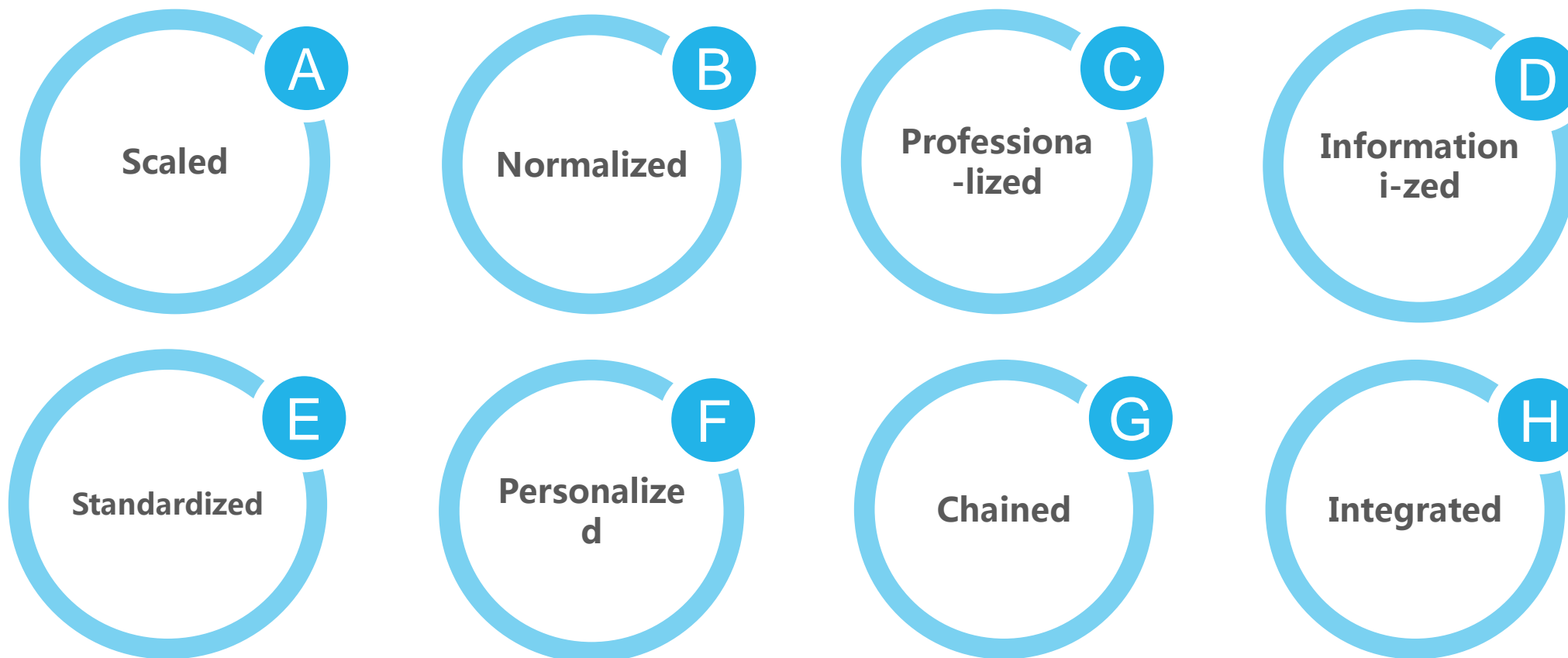


Internet, mobile internet, social fragmentation and Internet of Vehicles are rapidly transforming the consuming and operating pattern of the car owners, car service providers, auto parts manufacturers:

- E-commerce of auto parts;
- O2O maintenance service;
- Remote diagnostic service;
- O2O consuming pattern ;
- B2B platform integrates supply chain and establish the purchasing platform with large scale, high efficiency and standard.

The future trends and change of China automotive aftermarket

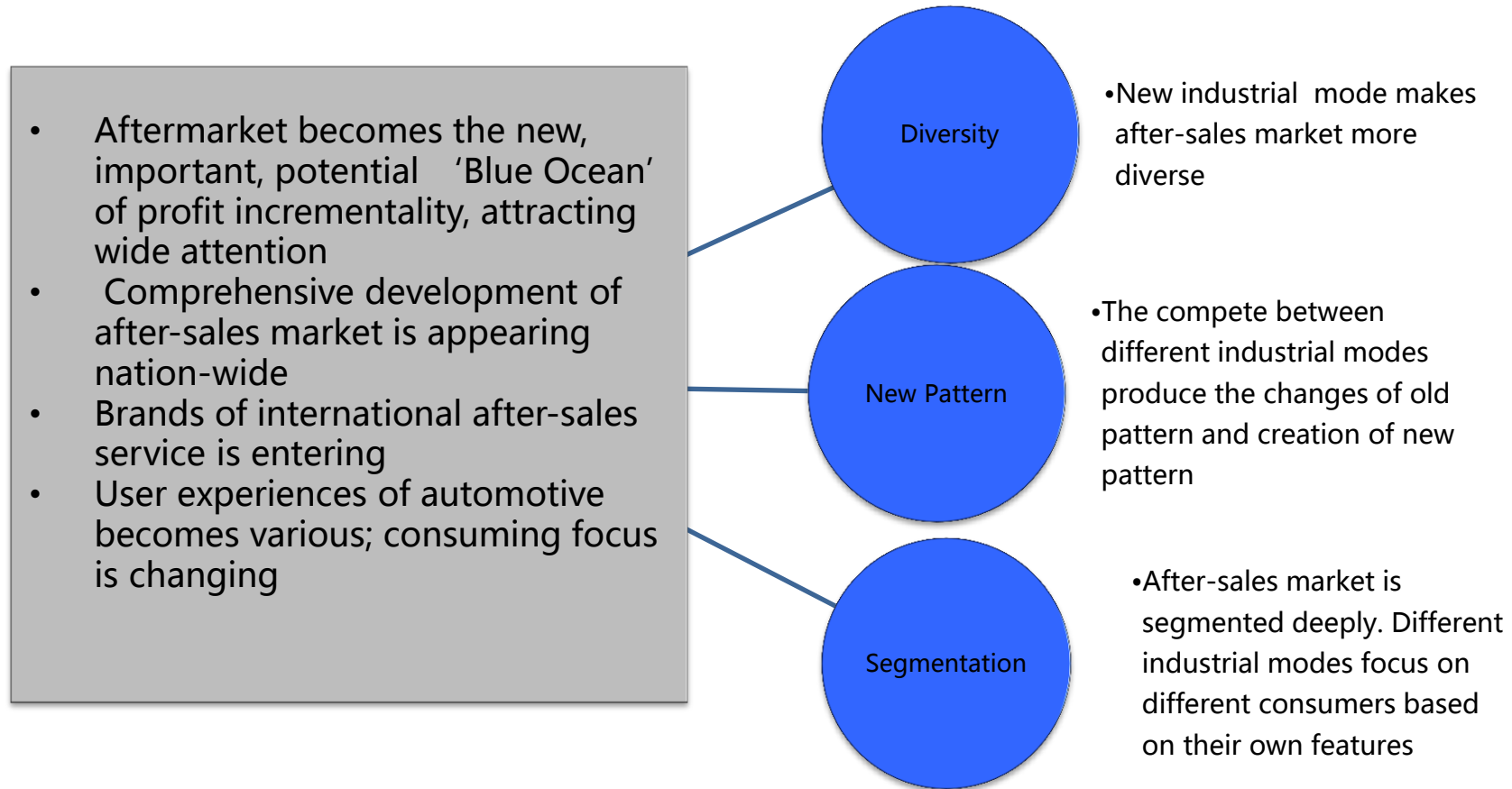
The future trends of China automotive aftermarket:



The future trends and change of China automotive aftermarket

The maintenance market is entering an era of fierce competitiveness:

Automotive after-sales market, which is represented by chained automotive maintenance and normal maintenance, is the main competitor and supplement of the current 4S system conducted by the automotive manufacturers.



CAPAC “chain+circle” aftermarket service system

CAPAC “chain+circle” aftermarket service system

CAPAC:

Established in 1983, CAPAC is a wholly owned subsidiary of SINOMACH, headquartered in Beijing. CAPAC is the core enterprise of China's auto parts integrated service providers.

Based on the long-time accumulated technology and industry influence, CAPAC aim to build up seven platforms of auto parts trade, manufacturing, testing, R&D, industry services, industrial park and investment, and form a complete auto parts integrated service system.

With an excellent professional team, based on the mission of “serve the auto manufacturer, serve the auto user”, insisting on the value of win-win, with continuous innovation, CAPAC aim to become the connection bridge of China's auto parts enterprises and the direction sign of the global auto parts industry



CAPAC Positioning : China's Leading Auto Parts Integrated Service Provider

CAPAC Mission: Serve the auto manufacturers, serve the auto users

CAPAC Culture: Harmonious, United, Hard-working, Innovative

CAPAC “chain+circle” aftermarket service system

Business Model



CAPAC “chain+circle” aftermarket service system

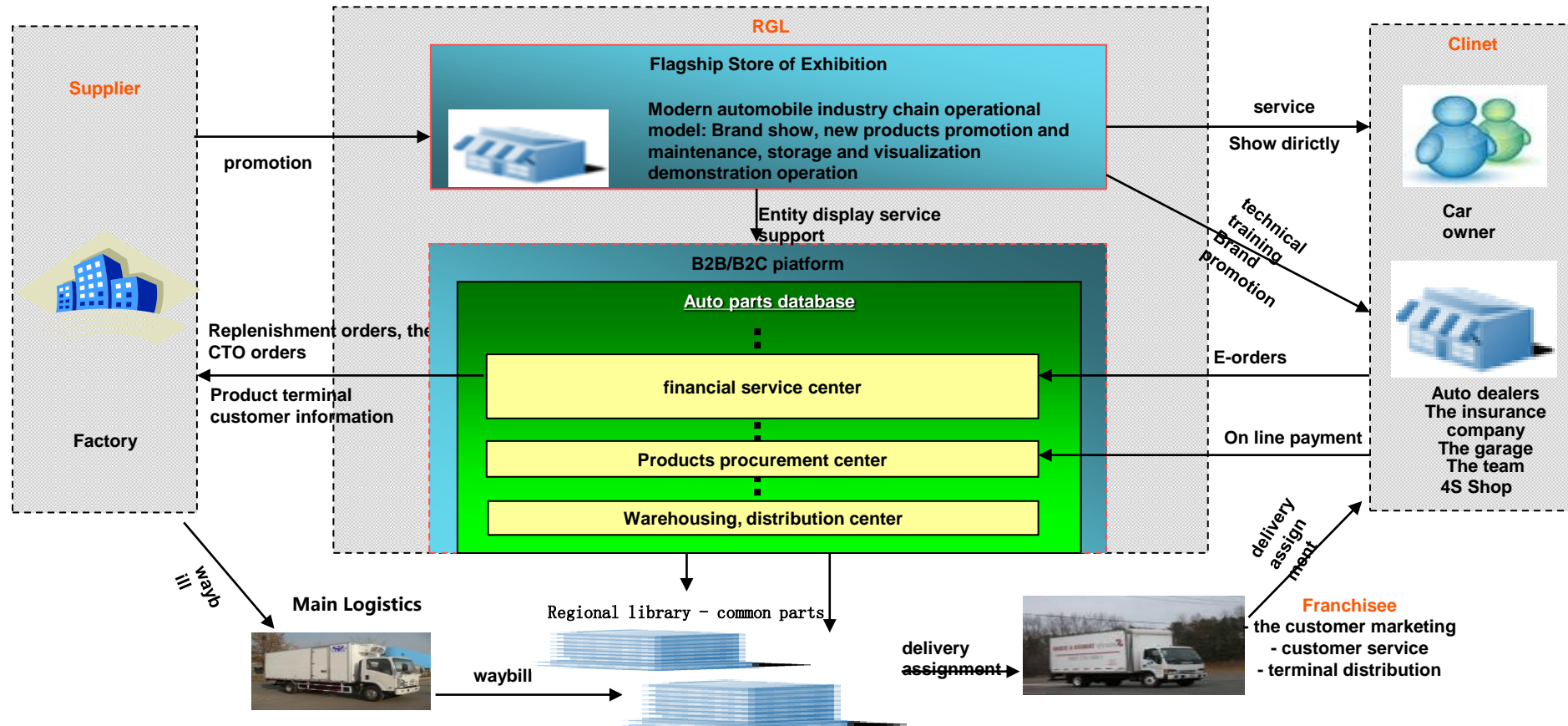
CAPAC automotive aftermarket service system



CAPAC “chain+circle” aftermarket service system

The chain of service:

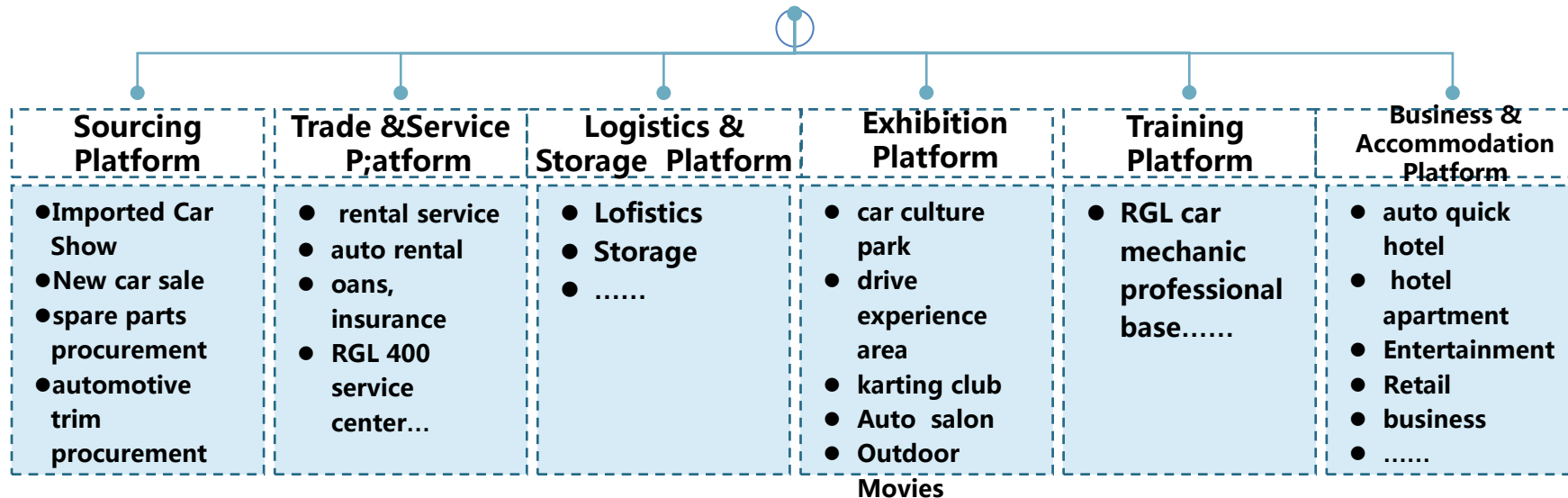
Ecommerce platform and the modern automobile industry chain operational shop, which are called ‘cement + mouse’ business model, will build the comprehensive service platform for the after-auto market industry. The comprehensive service platform will include ordering service center, products procurement center, financial service center, warehousing and distribution center.



The circle of service:

The circle of service system will improve the concentration of after-automotive market and develop the local economy. The six service platforms are complementary, which will realize the function upgrade.

Six Major Functional Platforms Seven Class Subdivision Formats



China Auto Parts (Kushan) Industrial Park

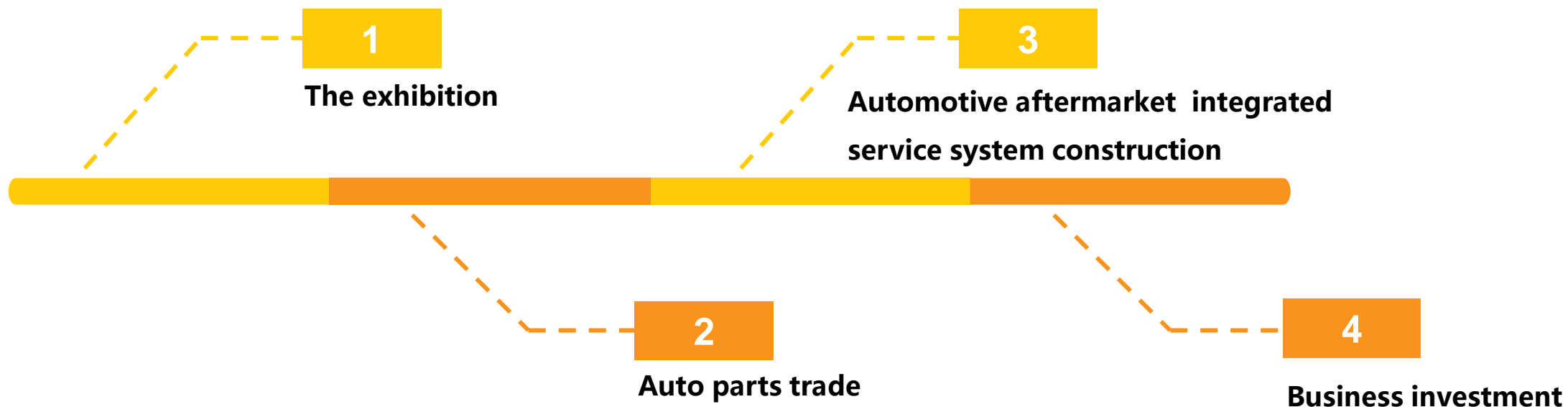


China Auto Parts (Changxing) Industrial Park

Direction of cooperation between CAPAC and Turkey

Direction of cooperation between CAPAC and Turkey

Surrounding the China's "One Belt and One Road" strategic thinking and taking shape the trend of Eurasian economic integration. CAPAC with Turkish automotive industry can be further cooperation in the following respects:



Cooperation Innovation、Win-win



Harmonious

United

Hard-working

Innovative