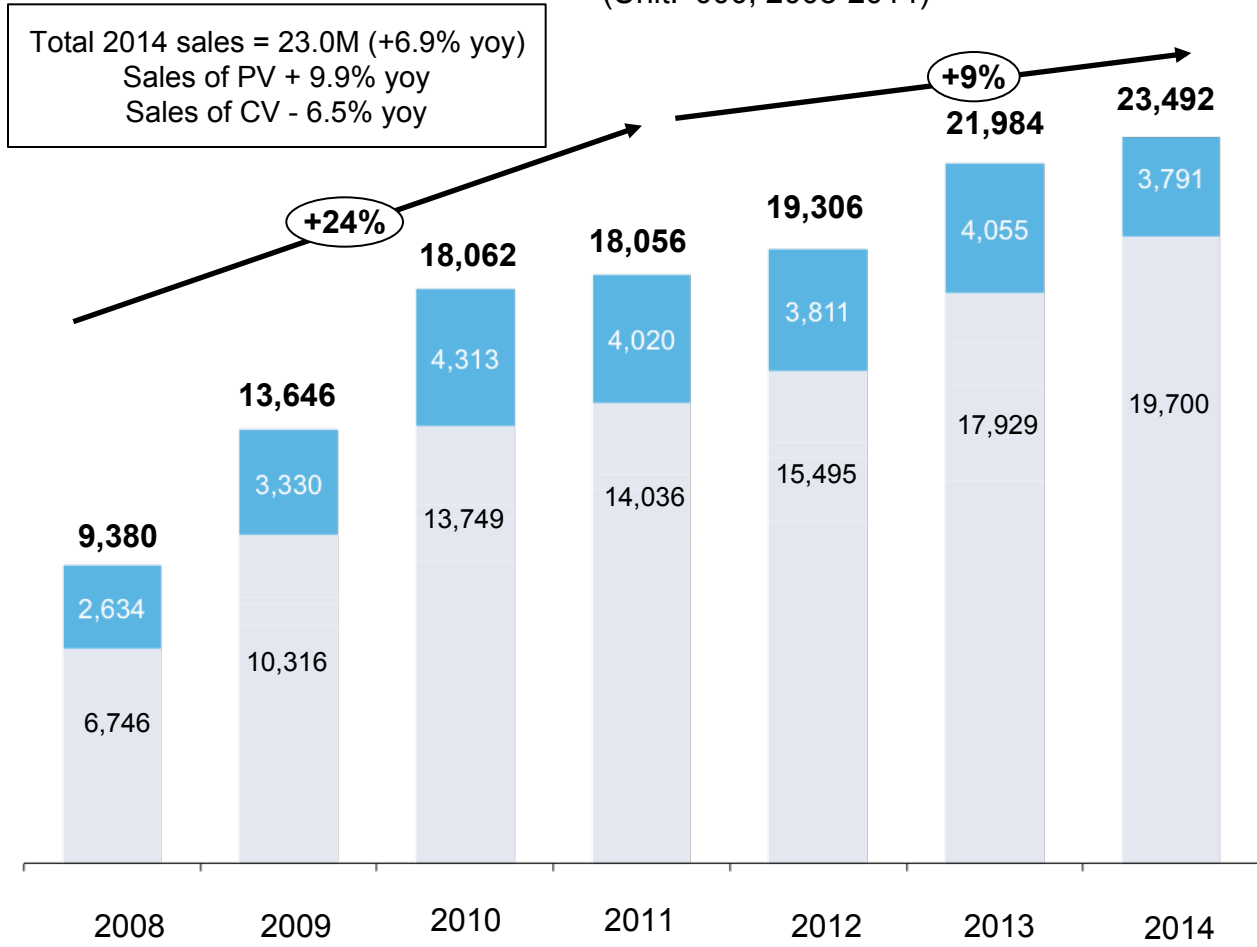

The Next Golden Age of China's Automotive Industry

Panel Discussion at J.P. Morgan China Summit

After a period of explosive expansion, China's auto market has decelerated

Overall China Auto Industry by Sales Segments
(Unit: '000, 2008-2014)



Comments

- China's overall auto industry sales have been growing rapidly, but growth is decelerating
- Traffic congestion and pollution have reached a point where the government has implemented license plate restrictions in major cities. Alternative propulsion technologies and more aggressive regulations on emissions can impact both OEM product plans and consumer demand preferences.
- Inland, lower-tier cities will grow at rates faster than the mature coastal regions
- Strong demand is being recorded for SUV and MPV segments

Source: CAAM, LMC, GF Securities, Gao Feng analysis

The gathering storm clouds on the horizon raise the question – what is the Next Golden Age for China’s auto industry?

Overcapacity...esp. at middle and lower end of the market

Slower growth as the “New Normal”

Rising inventory of unsold vehicles

Restrictions to Address Congestion & Emissions

Looming Price & Incentives “war”

Anti-Monopoly, Parallel Imports & other challenges



The current automotive industry model is evolving, creating opportunities for product & business innovation

Source: Edward Tse and Bill Russo, “Restructuring will set stage for new golden age of China’s auto industry”, South China Morning Post, January 21, 2015