



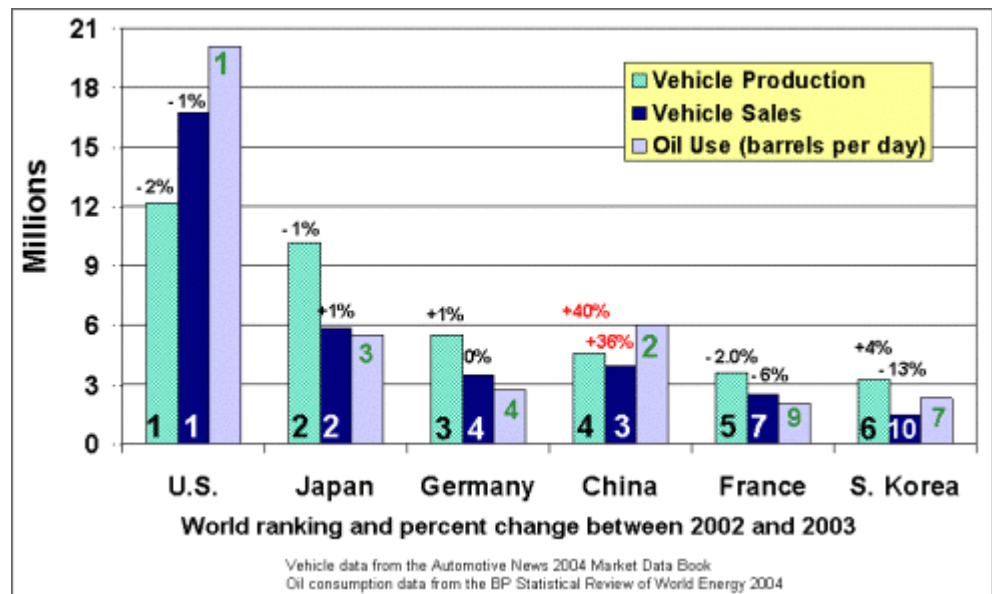
### 4.1 Automobile Manufacturing in China

According to January to April 2005 figures<sup>1</sup>, Beijing Hyundai's sales soared 132 percent from a year earlier; Tianjin FAW Xiali, which makes the TJ7101U, saw sales shoot up 44 percent and Guangzhou Honda's sales climbed 51 percent. General Motors, the world's largest corporation and largest automaker, has been the global industry sales leader since 1931 and has successfully entered China. 2003 sales growth in China was 46 percent and in 2004, growth was 27%. Industry wide, sales of passenger vehicles in China rose 15.7 percent in April 2005 over the previous year's numbers.



Nissan-affiliate Dongfeng Automobile Co., which recently introduced the Tiida compact in China, said its first quarter net profit in 2005 rose 63 percent from a year earlier to \$18 million and car sales rose 31 percent.

Ford issued a press release about the company's expansion into China's auto market. Shanghai Volkswagen joined forces with the Shanghai Automotive Industry Corporation. Peugeot Citroën has two plants in China. Currently, China is the world's fourth largest vehicle market<sup>2</sup>.



### 4.2 The Birth of Demand

In China's bigger cities, the rivers of bicycles—once one of the most vivid images of urban China—have been replaced with streets jammed with cars. By banning or severely restricting motorcycle use in these cities, China has leapfrogged the development pattern of its

<sup>1</sup> Yale Zhang, an auto market specialist for consulting firm CSM Asia Corp. in Shanghai, June 2005.

<sup>2</sup> Reuters - GM's sales in China outpace market in 2004 By Ben Blanchard Thursday, January 6, 2005