

## CHINA MARKET ANALYSIS

Mainland China is fast becoming the dominant connector supplier in the world. CECA predicts that by 2004, 17 percent of the world's connectors will come from mainland China. This is up from the 10 percent share of mainland China in 2002. The industry was worth about \$3.08 billion in 2002 and CECA

expects connector sales to reach \$4 billion by the end of 2003.

In extensive interviews gathered by Global Sources from among 32 connector manufacturers in mainland China, annual sales in 2003 are estimated to total about \$328.3 million. This represents a 26 percent increase from 2002, when the combined sales reached about \$260.3 million. Taipei-based Chief Land Electronic Co. Ltd had the highest sales revenue with \$60 million — a 30 percent increase from 2002. Qiaoyun followed with sales of \$50 million, an increase of 30 percent; while Huafeng had revenues of \$24 million — a 26 percent increase, to round up the top three makers.

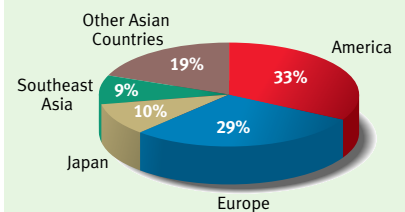
In terms of sales increase, CACH, a subsidiary of US-based CA, doubled its 2002 sales of \$7.5 million. Other companies who posted above-average sales increase are: ADF (30 percent); Accelink (40 percent); Jiexun (35 percent); Getwell (36 percent); Main Super (40 percent); and Victory Electronic Co. Ltd (30 percent).

Amphenol is listed on the MII's top ten connector manufacturers of 2002, with sales of \$67.7 million. However, this is the total of all of the company's China units. Global Sources' list only that of the Shenzhen unit with 2002 sales of \$20.9 million.

### 3Cs drive mainland China's connector industry

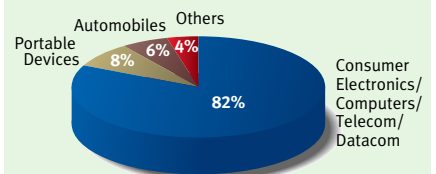
Most of the top 10 connector manufacturers in the Global Sources list are engaged in the production of connectors used in computers, telecommunications/data communications and consumer electronics applications, indicating that the connector industry is being driven

### Major Export Markets for Mainland China Connector Manufacturers



Source: Global Sources

### Main Target Applications of Connector Manufacturers

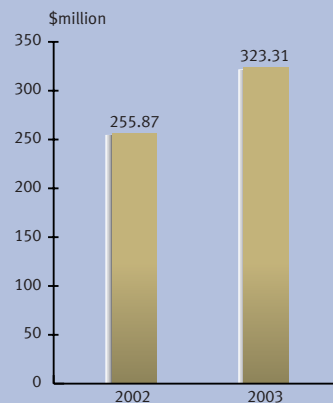


Source: Global Sources

by these three industry segments, also known as the "3Cs".

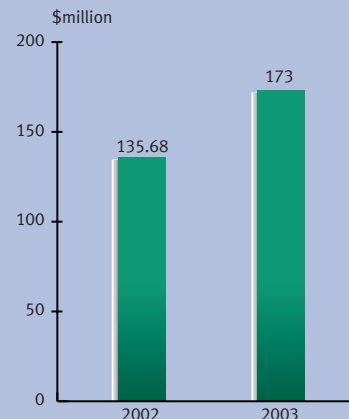
Global Sources market intelligence data confirms this scenario. Almost two-thirds of the 122 companies covered in this report produce connectors for computer, consumer and telecommunication/data communications connectors. Chief Land manufactures DIN and SCSI connectors, while Main Super concentrates on computer connectors such as USB, IEEE 1394 and serial ATA connectors. Zuanbao produces RCA jacks, phone jacks, speaker terminals and other A/V connectors. Even Amphenol, which has the most diverse connector product line in the list, produces a significant amount of products for the computer and telecommunications industry segments.

### Total Annual Sales of Profiled Manufacturers



Source: Global Sources

### Total Annual Exports of Profiled Manufacturers



Source: Global Sources

Robust PC demand worldwide has enabled that segment to increase its sales and consequently increase the orders for computer connectors. Market research firm Gartner Dataquest projects PC sales will increase 8.9 percent to reach 161.3 million units in 2003. The demand from the computer industry has allowed Main Super to increase its revenue in 2003 by 40 percent. Also banking on computer connectors are Qiaoyun and Huafeng, who have each increased their sales revenues in 2003 by 30 percent.

### Consumer electronics connectors dominate market

However, despite the growing significance of computer connectors, various local manufacturers continue to manufacture traditional connectors such as those used in consumer electronics. CECA estimates that of the \$3.08 billion worth of connectors produced in mainland China in 2002, consumer electronics connectors accounted for about \$1.8 billion, making the mainland the world's largest vendor of connectors used in TV receivers, video cassette recorders, set-top boxes (STBs), CATV and video camera recorders.

However, because of cut-throat price competition and reduced profit margins, some manufacturers of TV connectors are shifting their focus to other product lines such as automotive and telecommunication connectors, which offer more profits. Still, makers from Guangdong, Jiangsu, Shandong, Sichuan and Zhejiang continue to play an important role in the supply of consumer electronics connectors.

Aside from these traditional connectors, mainland China is also emerging as a major supplier of

connectors used DVD players and mobile phones, two of the hottest consumer electronic products today. Connectors used in DVD players such as A/V jacks and sockets, and RCA connectors come from makers in Fujian, Guangdong, Jiangsu and Zhejiang. The market is now worth about \$145 million but because of competition makers will have to bear price cuts and increase production to maintain profitability.

Mobile-phone connectors are considered high-end connectors and this segment is dominated by joint-venture and foreign-owned companies. However, local companies have started to enter this \$363 million market by acquiring state-of-the-art production machines to raise their technological level. Within five years, it is expected that mainland China will become a major source of mobile-phone connectors because of increasing orders from the international market.

### US and Europe are top export markets

Apart from shifting product lines, cut-throat competition has also forced manufacturers to start looking elsewhere to sell their products. This has prompted numerous connector suppliers to raise product quality and acquire various product safety certification to standards such as UL, TÜV and CE to be able to export their products.

### Annual Sales of Top 10 Profiled Manufacturers

Company name	Sales (\$million)
Chief Land Electronic Co. Ltd	60
Shenzhen Qiaoyun Electronics Co. Ltd	50
Sichuan Huafeng Enterprise Group Co. Ltd	24
Main Super Electronics Co. Ltd	23.5
Amphenol East Asia Electronic Technology (Shenzhen) Co. Ltd	23
Guoguang Group China	20
Circuit Assembly China Co. Ltd	15
Zhejiang Zuanbao Electronics Co. Ltd	12
Kunshan Zhengri Electronic Co. Ltd	10
Samlung Ind. Ltd	7.8
<b>Total</b>	<b>245.3</b>

Source: Global Sources

### Annual Exports of Top 10 Profiled Manufacturers

Company name	Exports (\$million)
Chief Land Electronic Co. Ltd	35
Shenzhen Qiaoyuan Electronics Co. Ltd	25
Main Super Electronics Co. Ltd	23
Amphenol East Asia Electronic Technology (Shenzhen) Co. Ltd	15
Circuit Assembly China Co. Ltd	15
Guoguang Group China	14
Kunshan Zhengri Electronic Co. Ltd	10
Allied Cable Corp	6
Leoco (Suzhou) Precise Ind. Co. Ltd	5
Kangerda Electronic Co. Ltd	4
Victory Electronic Co. Ltd	3.5

Source: Global Sources

Of the 32 connector manufacturers interviewed by Global Sources, only 27 provided export sales data. The US emerged as the top export destination as 33 percent of the suppliers export to that country, while European countries followed next. For Asian countries, 10 percent of suppliers export to Japan, while 9 percent export to Southeast Asia.

As a whole, 2003 exports from these companies totaled \$173 million, representing almost 60 percent of their combined annual sales. The 2003 figure also represented a 28 percent increase in exports, up by almost \$37.4 million from 2002.

Many of the connector manufacturers interviewed concentrate mainly on the international market. Companies such as Allied Cable Corp., CACH and Kunshan Zhengri Electronic Co. Ltd export all of their

products while ADF, Main Super and Victory export at least 80 percent of their output.

As with local sales, the 3Cs are also the driving force for connector exports. Qiaoyun and New-epoch saw their export sales increase by 50 percent, while Chief Land's and Jiexun's exports increased by 45 percent and 35 percent, respectively. All four concentrate on producing connectors for the 3Cs industry segment.

This increase in exports has also prompted connector manufacturers to increase their company's production capacity. Getwell, which manufactures phone jacks and SIM card connectors, saw its export sales increase by 30 percent. It plans to build another factory in Tangxia, Guangdong to complement its main factory in Humen, Dongguan. Main Super will also soon commence operations of its new

factory just 500 meters away from its original Houjie, Dongguan facility. The new 7,000-square-meter factory will focus mainly on the production of PC Card, RJ-45 and HDMI connectors. Apart from this, the company also intends to build a 52,000-square-meter factory in Liaobu, Dongguan, within the next two years.

At the other end of the spectrum though are Ningbo Zhengin Electronic Co. Ltd, Nian Yeong Enterprises Co. Ltd and Shaanxi Huada Science and Technology Co. Ltd, which export less than 5 percent of their output. They too are already exploring ways to increase their exports to be able to survive in the hyper-competitive marketplace. Shaanxi Huada has made a commitment to increase its overseas sales by increasing marketing efforts in various international trade shows, as well as upgrading technology.