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AUTOMOTIVE

Faulty part forces Aston Martin recall

Aston Martin is recalling 17,590 cars, including all of its left-hand-drive models built since November 2007 and all righthand-drive models built since May 2012, affecting about 75% of all vehicles built in that period, after discovering a Chinese parts supplier was using a counterfeit plastic material in a part supplied to the luxury carmaker. Aston Martin found that Shenzhen Kexiang Mould Tool Co, a subcontractor in Shenzhen, Guangdong province, was using a counterfeit plastic material in making accelerator pedal arms for the sports carmaker. The subpar plastic was supplied by Synthetic Plastic Raw Material Co of Dongguan, Guangdong province, according to documents filed with the U.S. National Highway Traffic Safety Administration. The 2008-14 models are being recalled because the accelerator pedal arms may break, increasing the risk of a crash. The automaker first launched an internal investigation into the pedals after it received a report from a U.S. dealer in Connecticut, who claimed the pedal arm broke during a repair as part of an earlier recall. The automaker said that going forward, representatives of Aston Martin will supervise the production of all pedal arms in China. It also plans to resource the manufacture of pedal arms from China to the UK as soon as possible. A spokeswoman for Aston Martin said the financial impact of the recall to the automaker was small.

Wanxiang wins auction for Fisker Automotive

China's Wanxiang Group won an auction for Fisker Automotive, a maker of luxury plug-in hybrid cars, with a USD149.2 million bid, almost six times what the U.S. company was seeking when it filed for bankruptcy. In winning the four-day auction, which went through 19 rounds of bidding, Wanxiang topped Hybrid Tech, a company led by Richard Li, the son of Hong Kong's richest man, Li Ka-shing. Wanxiang's offer included USD126.2 million in cash and USD8 million in assumed liabilities. Wanxiang insisted it will not totally abandon Fisker's green-car roots. In its presentation to creditors, Wanxiang said it plans to build hybrid Karmas along with Destinos and will continue to develop next-generation cars combining battery power with a petrol engine to extend the vehicle's range. The Chinese firm plans to restart car production in the coming months, first at Fisker's plant in Finland. After working through the inventory in northern Europe, it will begin to produce cars at VL's facility in Auburn Hills, Michigan. The company might also use a former GM plant in Delaware. Wanxiang expects to sell a total of 1,000 Karma and Destino cars in the United States in the first 18 months, and a further 500 Karmas in Europe. Fisker sold 1,800 Karmas before it suspended production in 2012, falling far short of initial projections that it would sell 11,000 sedans by early 2012.

Fisker Automotive USD103,000 plug-in hybrid sports car, Karma, was called a "basket case" by Consumer Reports. Fisker's most visible assets are 18 patents and a derelict former General Motors factory that it never used. Wanxiang Group emerged in December last year as a suitor for Fisker, challenging Hybrid Tech, a Chinese-backed firm that had been jockeying to take over the bankrupt carmaker. The rivals' interest prompted a bankruptcy judge to set a February 12 auction for Fisker's assets. The patents have many potential applications for buyers eager to break into the growing alternative-fuels market, said Blair Jacobs, Patent Lawyer with McDermott Will & Emery. "To have a jump-start with a portfolio that took three to five years to develop is really substantial," Jacobs said. Wanxiang – the successful bidder – owns B456 Systems, the successor to A123 Systems, the U.S. company that supplied batteries to Fisker until collapsing under the cost of recalling defective Karma power packs.

Geely gets green light for APEC cars

Zhejiang Geely Holding Group Co, which made its name in the global market with the successful acquisition of Swedish luxury car brand Volvo in 2010, became the first domestic player to be designated an official car supplier for APEC 2014, a series of meetings of the Asia-Pacific Economic Cooperation forum for which China is the host. Geely delivered 45 of its Emgrand-branded cars to the organizing committee of the first senior officials' meeting in February in Ningbo, Zhejiang province. Also produced by Geely, TX4 taxis modeled along the lines of London's black cabs for the disabled, joined the meeting fleet. "The choice of Geely for such an international event represents a groundbreaking milestone for China's struggling homegrown auto brands," said Liu Ge, Senior Economic Researcher at China Central Television. "Being the official car will not only improve the brand awareness but also boost consumers' confidence in the vehicles." "Using Chinese-branded vehicles, not foreign or joint venture cars, at such national-level events, is a necessary and encouraging step," said Ma Yu, Senior Researcher with the Chinese Academy of International Trade and Economic Cooperation. In April 2013, a Hongqi L5 limousine produced by FAW Group Corp replaced the Audi to receive French President François Hollande during his official visit to China. Moreover, in 2013, the Chinese government also tightened regulations for general official cars and military cars to emphasize domestic brands. In 2013 total vehicle sales by domestic brands increased 11.4% to 7.22 million. Those brands accounted for 40.3% of the overall market, a drop of 1.6 percentage points, according to the China Association of Automobile Manufacturers (CAAM). Chinese automakers have lost market share for three consecutive years, the China Daily reports.

BYD rolls out first all-electric London cab fleet

Warren Buffett-backed Chinese carmaker BYD launched London's first ever all-electric taxi fleet, pulling ahead of global rivals such as Nissan in the race to roll out zero emission cabs by 2018, when all taxis in London are required to be zero-emission cars. The initial fleet of 20 electric cars is operated by Thriev, a taxi company, less than two months after BYD supplied the first-ever fully-electric buses to the British capital. "Londoners are typically early adopters of new technology, and we are very happy to be first and beat the deadline by a few years. This is where the electric vehicle technology will shine," Isbrand Ho, Managing Director of BYD Europe told the Financial Times. Nissan and the London Taxi Co (LTC), which builds the iconic 'black cab', are both developing fully-electric models ahead of the 2018 deadline. London Mayor Boris Johnson says taxis account for more than a third of all the exhaust emissions in the city. BYD is also in talks with potential manufacturing partners to start building the electric e6 models in the UK, and is in advanced talks with other taxi companies to bring more of their electric vehicles to London.

General Motors sets new sales records

General Motors and its joint ventures combined deliveries hit a record high in January, up 12% from a year earlier to 348,061 units. The figure included 171,856 units from Shanghai GM, up 11.4% on year, and 172,852 units from SAIC-GM-Wuling, up 13.9%. Both sales figures set a new monthly record. But sales of FAW-GM dropped 26.1% on an annual basis to 3,319 units. Matt Tsien, who took over as GM's new China President on January 1, said GM expects growth this year to be higher than the industry average as the automaker launches 17 new models. GM sold more than 3 million units last year in China, an increase of 11.4%, and hopes to build on that momentum. Tsien said the focus this year will be on GM's line of SUVs and the Cadillac brand, both of which have large room to develop. Cadillac vehicles recorded the biggest growth among GM's brands in China last month, with sales surging 265% to 5,741 units. Tsien also said GM will enter some niche segments of China's SUV market this year. General Motors plans to boost sales in China this year by as much as 10% and keep pace with the country's vehicle market for the rest of the decade. Tsien, named President of GM China late last year, is the first executive of Chinese origin to lead the carmaker's operations on the mainland. He said he wanted GM China to grow as fast as the country's overall market, which he said GM saw as roughly 7% a year to "30 million-plus" vehicles by 2020.

Beijing failed to meet its targets for road congestion in 2013

During rush hours on workdays last year, the average duration of traffic jams was one hour and 55 minutes, a rise of 4.2% from 2012, according to a report by the Beijing Commission of Transport. One of the goals set by the transport authority in early 2013 was to ensure the traffic congestion index within the Fifth Ring Road – an area covering most of urban Beijing – did not rise above level 5. The index indicates the general congestion situation and ranges from 0 (no congestion) to 10 (heavily congested). However, the average traffic congestion index on workdays was 5.5. The government plans to further limit the number of new cars on the roads each year in the hope of easing congestion and cutting emissions. In November, Beijing announced that from 2014 through 2017, the number of new cars available to registered drivers in the capital would be reduced from 240,000 a year to 150,000. Xu Kangming, Transport Expert and Founder of 3E Transportation Systems, said the move from private cars to a public transport system should be the ultimate goal for Beijing's policymakers in the transport sector.

CAAM opposes lifting ceiling on foreign ownership in JVs

China shouldn't raise the 50% ceiling on foreign ownership of vehicle joint ventures, because doing so will put domestic automakers under severe pressure, the China Association of Automobile Manufacturers (CAAM) said. "If foreign partners dominate joint ventures, Chinese automakers will lose their say and China will become a processing base for international auto manufacturers," said Dong Yang, General Secretary of CAAM. It was announced at the Third Plenum of the 18th Central Committee of the Communist Party of China in November last year that the country will phase in higher limits on foreign capital in vehicle joint ventures. But Dong Yang said that any change could mean that "our own automobile industry will stop developing". CAAM statistics show that although passenger vehicle sales increased 7% to a record monthly high of 1.85 million in January, domestic brands continued to lose market share. Chinese vehicle brands' total sales slid 5.1% year-on-year and 6.6% month-on-month in January, to

709,400 units. However, Chinese tycoon Li Shufu, Chairman of Zhejiang Geely Holding Group Co, said he welcomes opening the door further to foreign capital. “The policy only protects state-owned auto companies, not the entire automobile industry. Its persistence is like parental indulgence of children, which is not good for the grown-ups,” said Li. He also said loosening limits on foreign participation will help Chinese automakers compete with foreign rivals face-to-face, “which is good and necessary”, the China Daily reports.

Dongfeng’s injection of capital to give Peugeot new drive

China's second-largest vehicle producer, Dongfeng Motor Corp, has purchased a 14.1% stake in French automaker PSA Peugeot Citroen for €800 million, the largest foreign acquisition so far by a Chinese state-owned company. The two parties have signed a memorandum of understanding (MOU) to that effect. Under that MOU, the Chinese company will subscribe to shares to be issued by Peugeot to increase its capital reserve at €7.5 per share, for a total subscription price of €524 million. Dongfeng also agreed to spend another €276 million to buy shares pursuant to a Peugeot rights issue. The French government is also expected to acquire 14.1% of Peugeot's shares. A representative of Dongfeng will be Chairman of a new committee overseeing development. Dongfeng, the French government and the Peugeot family will each hold the same number of shares and have the same voting rights, ending the dominance of the Peugeot family. Peugeot said that the agreement will be signed on March 26 – during the visit of Chinese President Xi Jinping to France – and the deal will be concluded before April 30.

Peugeot also announced that the company's net loss had narrowed from €5.01 billion in 2012 to €2.32 billion last year. The company aims to increase its production capacity to 750,000 units in China by 2015 and to double its network of dealers in the Chinese market, according to Philippe Varin, Chairman of the PSA Peugeot Citroen Managing Board. “China will be the No 1 market for us in 2015,” said Varin, with the possibility of building a fourth production plant in China. Peugeot's market share in China stood at 3.6% in 2013. The company will launch its new models – the DS5 LS and DS CUV – in China in 2014. In the next three years, the partners' 50-50 joint venture – Dongfeng Peugeot Citroen Automobile Co – aims to ramp up its annual production capacity in China to 1 million units. “The acquisition will help Dongfeng promote its brand around the world and reinforce the reputation of China's automobile industry,” said Zhang Zhiyong, Beijing-based Auto Industry Analyst. None of the three main shareholders would be allowed to increase its stake for 10 years – seen as an effort to limit Dongfeng’s influence at Peugeot, which employs nearly 90,000 people in France. Dongfeng Motor Corp, founded in 1969 and whose name means “East Wind”, sold 3.53 million vehicles in China last year, giving it a 16% market share.

Geely acquires British electric startup Emerald

Private-sector vehicle producer Zhejiang Geely Holding Group Co confirmed the acquisition of British electric startup Emerald Automotive after a year of negotiations, promising investment of at least USD200 million over the next five years for development of its vehicles. “The purchase is part of our technological development of new-energy vehicles,” said Li Shufu, Geely's Founder and Chairman. This isn't Geely's first acquisition in the British market. Last year in February, Geely paid USD18.5 million for 80% of Manganese Bronze Holdings, parent of the maker of London's black cabs. Emerald, which has developed two prototype electric delivery vans, hasn't yet moved into the commercialization phase. After the acquisition, Geely will help develop these vehicles and take them to the commercial production stage. Geely will retain the workforce of Emerald Automotive to oversee the development of this new technology, a statement by Emerald said. Geely Group may also use the British company's resources to explore the North American market in the longer term. Andy Tempest, CEO of Emerald, said in a statement that the deal will secure the company's long-term future. Geely also said it will go back to a single-brand strategy, meaning that all of its sub-brands – including Emgrand, Gleagle and Englon – may vanish from the market. To meet its annual sales target of 2 million vehicles by 2015, Geely promoted a multi-brand strategy in 2009 under which it launched the three new marques to target different groups of consumers. The company also plans to further reinforce and integrate its distribution networks, with higher requirements for dealerships.

Short news

- Nissan's sales in China, which slumped in late 2012 after a flare-up in anti-Japanese sentiment, bounced back sharply, rising 94% to 381,000 vehicles in the last quarter of 2013.
- U.S. electric carmaker Tesla Motors appealed to China to be given incentives for new-energy vehicles. The Chinese government currently provides subsidies only to locally produced new-energy vehicles, with CNY35,000 to CNY60,000 per vehicle. Tesla also announced its Model S would cost CNY734,000 in China, far lower than the market anticipation of at least CNY1 million. The price is still about 50% higher than is charged in the United States because it covers shipping, taxes and import duties, with "no additional profits", the company said. Tesla CEO Elon Musk expects sales in China to match its U.S. volume by 2015.
- China's passenger car sales reached an all-time monthly high in January, with 1.88 million vehicles sold, up 10.1% year-on-year, and 3.7% higher than the highest monthly total last year recorded in December. "Two new groups of car buyers have been driving market growth since the fourth quarter: panic buyers living in cities that may impose car purchase restrictions, and civil servants buying their own cars because management of official fleets has been tightened," Rao Da, Secretary General of the China Passenger Car Association (CPCA) said.
- 12 more cities have been included in a program to promote the use of environmentally friendly cars, taking the total number of cities and regions involved to 40. The cities – including Beijing – have set specific sales targets and are expected to act as icebreakers. Cities in eastern regions are required to promote not less than 10,000 new-energy vehicles by the end of 2015, while targets for the rest are set at 5,000. Beijing and Shenzhen have set their own targets of 35,000, pushing up the total for the 40 cities to around 320,000 units.
- Shanghai car plate prices continued to drop, even with the supply at a 22-month low and the number of bidders at its highest level in nearly six years. The average price went down CNY144 or 0.2% to CNY73,35, while the number of bidders rose to 45,758 from 41,946 in January. A total of 8,000 car plates were made available for auction in February – 7,400 for individual bidders and 600 for organizations.
- ABB will enter into a partnership with Shenzhen BYD Daimler New Technology Co to supply direct-current fast chargers over the next six years. The wall-mounted chargers will have a number of innovations designed for user convenience and safety including a mobile app that allows cloud-based remote monitoring and control of charging sessions. First deliveries are expected by the middle of the year. The chargers will be sold through BYD-Daimler's Denza dealerships along with the vehicle. The fully electric Denza is designed for journeys of more than 250 km and will be among the first long-range electric vehicles on the Chinese market.
- On January 28, four ministries raised the subsidy for new energy vehicles by 5% in highly industrialized target areas including the Beijing-Tianjin-Hebei region, the Pearl River Delta and the Yangtze River Delta. Buyers of green cars can now receive a maximum subsidy of CNY57,000 from the central government. The Beijing Transport Commission announced its own subsidy package for pure electrics of up to CNY57,000. Its plan calls for 200,000 clean energy vehicles on the road by the end of 2017. The list of models eligible for subsidies from the Beijing government has yet to be formally released.
- Shanghai police are warning car owners of the risks associated with buying temporary license plates online, which might be counterfeit. Anyone caught driving on counterfeit or altered plates faces up to 15 days' detention and a fine of CNY2,000 CNY5,000.
- Almost a third of Chinese car buyers see consumer-driven content, such as automotive blogs or reviews, as their most trusted source of information when buying a vehicle, according to a survey by consumer insight company Kantar Worldpanel. Car buyers in the United States are more likely to be persuaded by traditional marketing, rather than blogs, forums and social media, which only appeal to 7% of buyers.
- Dah Chong Hong, which distributes a range of foreign car brands, is optimistic on demand this year, despite the end of a Bentley partnership on the mainland contributing to a 13.8% drop in profit for last year. The company said it expected to gain from the Hong Kong government's scheme to phase out old diesel vehicles and would see stable growth from the rising middle class on the mainland. The company

recorded a net profit of HKD901 million last year.

- Buyers of electric cars produced by BYD and BAIC Motor will get free license plates in Shanghai, saving them over CNY70,000. BYD's Qin hybrid car and the E150 purely electric car of BAIC have recently been included in Shanghai's new energy car subsidy program. The two cars are strong competitors for Shanghai-based SAIC's Roewe E50. Subsidies will also shave CNY33,250 off BYD Qin's retail price which starts from CNY189,800, and cut CNY47,500 from BAIC E150's nearly CNY250,000.
- Volvo released a series of environmentally-friendly engines on February 26, in response to growing concerns over air pollution in China. The 4-cylinder 2.0-liter engines, one diesel and two gasoline options, were developed based on its Drive-E philosophy. They can cut fuel consumption by 13% to 35%. The automaker said they will help achieve Volvo's target of lowering its model's carbon dioxide emission to 95 g/km by 2020 and realize its ultimate goal of zero emissions. The first vehicles to use such engines in China will be XC 60 crossovers.
- Toyota's sales in China grew 43.1% year-on-year to 51,900 units in February, driving its January and February sales 26.4% higher from a year earlier. Toyota's sales grew 9.2% to 917,500 units in 2013 but under performed the market's 16% expansion. Toyota seeks to sell 1.1 million cars in China this year, up 19.9%.

METALS

China Minmetals near deal to acquire Glencore copper mine in Peru

A group led by China Minmetals is nearing an agreement to purchase Glencore Xstrata's Las Bambas copper project in Peru for more than USD5 billion. The Chinese group includes Citic Metal, a unit of state-controlled conglomerate Citic Group, and China Reform Holding, an investment company. Glencore is selling Las Bambas as part of an agreement to win Chinese regulatory authorization for its USD29 billion takeover of Anglo-Swiss coal and metals miner Xstrata last year. China is the world's biggest copper consumer, accounting for around 44% of the world's copper consumption. The country imported around 61% of its unrefined copper ore needs last year, according to a Barclays research report. Las Bambas had over 10.5 million tons of copper resources, Glencore Xstrata said last July. The firm estimated the project will cost USD5.2 billion by the time it starts production next year. It is set to produce 400,000 tons of copper per year for the first five years, with a mine life of over 20 years. Its cash production cost will rank among the lowest 25% of global copper mining projects. The Minmetals group was the sole Chinese bidder left after another consortium led by Aluminum Corp of China (Chinalco) abandoned its offer in November, rejecting a proposal by the Chinese authorities that it become a minority partner in a combined bid led by Minmetals. A deal valued at USD5 billion would be the second largest mining-related acquisition by a Chinese buyer, according to data compiled by Bloomberg, behind the USD12 billion purchase of a stake in Rio Tinto Group completed by Chinalco in partnership with Alcoa in 2008, the South China Morning Post reports.

China seen as cushion for softer copper prices

Prices of copper are likely to soften further in the coming year as production growth is expected to exceed that of consumption. However, any weakness may be cushioned by steady Chinese demand. The price of the benchmark three-month forward contract on the London Metal Exchange may average USD7,078 a ton this year, 3.7% lower than last year, according to the average estimate of 28 analysts polled by Bloomberg. Prices have fallen 16.7% in the previous two years amid global economic weakness. “The general feeling in the market is for copper to go slightly lower this year due to rising production," Jeremy East, Standard Chartered Bank's global head of metals trading, said, but he added: “I see China buying more copper this year than last year, and prices will also be supported by the economic recovery in the U.S. and Europe.” China accounts for about 44% of global copper consumption, estimates by British bank Barclays showed. Chinese power distributor State Grid Corp – China's largest copper consumer – planned to raise its spending on new power grid construction by a larger-than-expected 13% this year. Analysts at Barclays forecast copper to rise to USD8,000 a ton next year, as they expect supply growth to peak this year and slow from next year, while global demand growth picks up. The outlook for aluminum is similar. The polled analysts predicted the price of the three-month forward contract on the LME to average USD1,866 a ton this year, 1.2% lower than last year, after having fallen 22% in the previous two years. China accounted for about 46% of the world's consumption of the metal.

China’s gold consumption and production reach new records

China’s gold consumption and production both set new records last year as lower prices spurred sales of jewelry and bars. Demand jumped 41.4% annually to 1,176 tons in 2013, the China Gold Association said. Consumption of gold jewelry rose 43% from a year earlier to 716 tons in China last year, while gold bar sales jumped 57% to 376 tons. China became the world’s biggest gold market in 2013 for the first time, according to the World Gold Council. The People’s Bank of China (PBOC) ranked sixth among official gold buyers with a total holding of 1,054 tons, but is expected to soon announce an increase in the official reserves to 2,710 tons. Liu Xu, Analyst at Capital Futures, estimates that China's demand exceeded 1,400 tons last year as the Gold Association probably does not include government purchases and buying by financial institutions. “The surge in Chinese gold consumption has helped to limit price declines,” said Duan Shihua, Partner at Shanghai Leading Investment Management. “If Chinese demand is sustained, it will be a long-term bullish factor.” Chow Tai Fook Jewelry reported that same-store sales in Hong Kong, Macao and the mainland from January 17 to February 3 expanded 15% from a year earlier. On the supply side, China has been the top bullion producer for seven straight years. Gold production increased 6.2% from a year earlier to 428 tons in 2013, the China Gold Association said.

China's steel sector warned of continuing overcapacity

China's steel industry will not see a quick end to its troubles as overcapacity has reached staggering proportions and structural adjustments to the economy have complicated the sector's situation, according to Li Xinchuang, Executive Vice Secretary General of the China Iron & Steel Association (CISA). The world's largest steel industry has been struggling with overcapacity for years, causing mills to suffer razor-thin margins and saddling them with debt. China is anxiously trying to curb production growth amid fears that persistent losses among mills could spark a collapse in the heavily-indebted sector. Li said overcapacity in the sector was “probably beyond our imagination” and added that the sector was facing an extremely complicated situation as a result of slowing growth, structural adjustments in the economy and policies to close old capacity. However, demand was still rising steadily, which, combined with the desire to gain market share, has prompted mills to continue adding capacity. China has around 300 million tons of surplus steel output capacity, equivalent to nearly twice the output of the European Union last year. Still, mills have continued to expand, adding new capacity of 69.2 million tons in 2013, according to a report by consultancy CUsteel in February.

China’s iron ore imports are expected to reach 870 million tons in 2014, with growth decelerating by 4 percentage points from last year's 10.2%, Li said. CISA has forecast China's annual steel output growth to slow in 2014 to around 3% to 810 million tons. Steel demand is expected to rise 3.2% to 715 million tons this year. Chinese crude steel output increased by 7.54% last year to 779 million tons, which amounted to 48.5% of total global production. Hebei, Jiangsu and Shandong provinces, all big steel producers, cut their 2014 GDP growth rate by 0.6 to 1 percentage point, which will affect downstream steel demand and upstream production, according to Li. In 2013, China exported 62.34 million tons of steel products, up 11.9% year-on-year. Export volume to India, Thailand and South Korea all declined compared with the previous year, while exports to countries including Vietnam, the Philippines and Malaysia increased.

Copper and ore glut in China sparks concerns

Rising copper and record iron-ore stockpiles in China, some of which were used as collateral to obtain financing by companies facing difficulties getting credit, pose a substantial risk if those inventories are suddenly dumped on the metals market. Whether and when the stock would unwind to normal levels, and whether this would happen in an orderly manner, depended on Beijing's credit supply and regulatory policies, and whether fundamental demand would pick up as market participants hoped, analysts said. “If the credit tightening worsens, it may trigger traders to trade stocks for cash rapidly and cause some volatility,” said Helen Lau, Senior Metals and Mining Analyst at UOB Kay Hian. Despite slowing economic growth, China's imports of copper products hit a record 536,000 tons in January, up 53% year-on-year. Inventory at warehouses monitored by the Shanghai Futures Exchange stood at 194,111 tons on February 21, up 59% from January 10 and its highest level since May 10 last year. Barclays Analyst Cheng Sijin estimated stocks at other bonded warehouses rose to 600,000 tons in January from 525,000 tons in December. No official figures are available. This coincided with a sharp decline in copper stock at warehouses approved by the London Metal Exchange (LME), where most of the world's copper is traded. It fell 60.4% to 276,400 tons on February 25 from

June last year. Besides copper, stocks of imported iron ore also rose to levels unsupported by weaker fundamentals. Iron ore stockpiled at major Chinese ports reached a record 100.9 million tons on February 21, the South China Morning Post reports.

Short news

- The Hong Kong-based Chinese Gold & Silver Exchange Society is prepared to spend at least HKD1 billion to set up its metal warehouse with a capacity of 1,500 tons in Qianhai, about an hour by car from Hong Kong. A key issue is for the warehouse to be given special status by Beijing so members can freely transfer gold and silver between Hong Kong and Qianhai. China still has capital controls and only 11 Chinese banks are allowed to import gold.
- China's Long March Capital, a partner of Citic Group, is considering buying South African platinum assets after their value was depressed by strikes. Long March last year teamed up with Citic unit Baiyin Non-Ferrous Metal and the China-Africa Development Fund to complete their buyout of Perth-based Gold One International and indirectly bought a stake in South African-based Sibanye Gold. Anglo American Platinum, Impala Platinum and Lonmin say they have lost HKD3.08 billion in revenue because of a four-week strike by about 70,000 workers. The companies together produce about 75% of the world's platinum.
- Shanghai's “steel-trading king” Xiao Jiashou, Chairman of the Shanghai Songjiang Steel Market, who was rumored to have fled the country over debts of CNY3 billion, says he is still negotiating with the banks. Xiao is facing 36 lawsuits filed by the China Minsheng Banking Corp, Ping An Bank and the Industrial and Commercial Bank of China (ICBC). All the cases are related to disputes over loans. By last August, executives at more than 20 steel trading enterprises in Shanghai had been brought before the court by banks chasing loans.

MINERALS

Citic Pacific criticizes Palmer in Australian iron ore dispute

Citic Pacific took a public swipe at Australian billionaire Clive Palmer over his attempts to halt its long-delayed and massively over-budget USD8 billion iron ore project in Australia. The Sino Iron project, China's biggest offshore mining investment, was to be a key element in Beijing's strategy to ease its dependence on iron ore producers Vale, Rio Tinto and BHP Billiton. But instead it has been a disaster for Citic Pacific and its contractor, Metallurgical Corp of China (MCC), as they ran into regulatory hurdles, labor shortages, disputes over hiring Chinese workers, safety issues and soaring costs. Palmer, who sold the rights to the ore to Citic Pacific, has sued the company for what he says are hundreds of millions of dollars owed in royalties and tried to block Citic's port access. “Any claim that we haven't paid our fair share in accordance with agreements is just plain rubbish,” Citic Pacific President Zhang Jijing told mining industry executives, bankers and lawyers in Melbourne. He said commercial disputes were not unusual and Citic Pacific always preferred them to be sorted out away from the public spotlight, but that was an “unrealistic expectation” with “some larger-than-life characters involved”. The current dispute between Palmer and Citic Pacific is over a royalty stream potentially involving around AUD200 million. Zhang said the industry benchmarks under which it was to be calculated no longer existed, so the method of calculation needed to be resolved. “The proposition is Citic wants to come here and suggest the main consideration can't be calculated, yet they still want to take our resources back to China without paying for them,” Palmer's company Mineralogy retorted. Palmer also accused the Chinese company of having “occupied the port and shipped Australian resources to China without paying full consideration”. Citic Group Chairman Chang Zhenming warned investors to be patient for returns on the project in a six-page letter to shareholders. “We ask for your patience. No pain, no gain,” he wrote. What Chang made abundantly clear is that shareholders may have to endure years of losses before the iron ore mining and processing project in Western Australia will turn a profit.

Restructuring fuels rise in coal stockpiles, cuts prices

China's drive to transform its economy, which includes reducing the role of energy-intensive industries and cutting steel capacity, is driving up coal inventories at key ports as demand across a variety of sectors weakens. Inventories at Qinhuangdao in Hebei province, the largest coal port in China, exceeded what is widely viewed as the warning line of 8 million metric tons on February 6, which was a 10-month high, according to the China Coal Transportation and Distribution Association. The rising stockpiles indicate that downstream users at steel mills, cement factories and coal-fired power plants are reluctant to purchase fuel because of weak market conditions. Xing Lei, Professor at the Institute of China Coal Economy at the Central University of Finance and Economics, said the coal market will be weak all year as policymakers pursue a slower-growing but "more stable" economy. Xing said inventories at Qinhuangdao usually hover around 6 million tons, but the figure has been rising in the past few months. Inventories are also rising at the other three major coal ports in North China – Caofeidian and Jingtang (both in Hebei province) and the municipality of Tianjin. Coal producers have cut prices in an attempt to attract buyers. According to the China National Coal Association, the industry suffered a total loss of CNY40.55 billion for the first 11 months of 2013.

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Mr. Philip Hermans, Director General, NV DEME SA
Mr. Egbert Lox, Vice-President Government Relations, NV UMICORE SA
Mr. Wim Eraly, Senior General Manager, KBC Bank SA

Membership rates for 2014:
- Large enterprises: €975
- SMEs: €385

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