法兰德斯中国商会 FCCC VCKK

FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

AUTOMOTIVE METALS & MINERALS NEWSLETTER | 7

FEBRUARY 2013

AUTOMOTIVE

China becomes the world's biggest car market

China overtook Europe in vehicle sales in 2012 and is now in pole position after passing the United States in 2009. Sales of passenger vehicles increased 6.8% from the previous year to 14.68 million units, the China Passenger Car Association (CPCA) said. In December alone, passenger vehicle sales jumped 8.6% year-on-year to 1.56 million units. Market Analyst Jia

Xinguang predicted 8% growth year-on-year in 2013, in what he described as "low but healthy development''. BMW said that its sales, including the Rolls-Royce and Mini brands, surged 40% from a year earlier to 326,444 units in 2012, backed by record monthly growth of 73% in December. Volkswagen's premium brand Audi also reported a 29.6% year-on-year growth in 2012 to a record 405,838 vehicles. Both of the German luxury brands see China as their largest market. China also became Jaguar Land Rover's top market in 2012, as the British premium brand delivered 73,347 imported vehicles to Chinese consumers, 74% more than in 2011. Ford said that its China sales increased 21% from 2011 to a total of 626,616 vehicles last year, and General Motors local joint ventures managed to sell 2.85 million vehicles in 2012, representing an increase of 14.7%. All Japanese automakers reported negative growth in China in 2012, the China Daily reports.

Vehicle sales in China, including those of cars and buses, may accelerate this year and surpass 20 million units for the first time, spurred by a rebound in economic growth and urbanization. Wholesale deliveries may gain 7% this year to 20.65 million units, led by demand for passenger vehicles, the China Association of Automobile Manufacturers (CAAM) said. Sales of sport-utility vehicles (SUVs) will remain the fastest-growing segment, while commercial vehicles will post a slight gain, according to the projections. The growth rate would remain less than a quarter of the stimulus-led 32% rate in 2010, as cities including Beijing and Guangzhou curb new vehicle registrations to cut smog and traffic jams. "The automakers with the best product mix and best geographic mix will still enjoy very high growth rates," said Jeff Chung, Hong Kong-based Analyst at Daiwa Securities Group. Passenger vehicle sales may climb 8.5% to about 16.8 million units, the CAAM estimates, while commercial vehicle sales will probably rebound from last year's 5.5% fall to gain 1% to about 3.85 million units this year.

GM retains leadership position in China, Germans rule luxury segment

General Motors Co cemented its leadership position in the Chinese car market. GM and its Chinese joint ventures' 2012 sales grew 11.3% to a record 2.84 million vehicles, surpassing Volkswagen, which sold 2.81 million units last year in China, up 24.5%. "GM remained a leader in our company's largest market in spite of a downturn in the commercial vehicle segment, where GM has a significant presence," said Bob Socia, GM China President. Sales of GM's Chinese minivan brand Wuling jumped 11.8% to 1.3 million units. Sales of GM's Buick brand grew 8.4% to 700,007 units, Chevrolet gained 5.3% to 626,846 units, and Cadillac rose slightly to a record 30,010 units. GM's Chinese joint-venture brand Baojun sold 84,467 units in its first full year.

German automakers continued their reign in China's luxury car market last year. Audi, long the top luxury carmaker in China, sold more than 400,000 vehicles last year, up 30% from 2011. About 80% of its sales were locally made A4L, A6L and Q5 models. The new A6L executive sedan remained its best seller in China with more than 132,000 units delivered last year, followed by more than 100,000 A4L cars and nearly 90,000 Q5 SUVs. BMW Group ranked second in the luxury market with 326,444 cars delivered, a 40% rise from 2011. Its sales included 303,169 BMW cars and 23,275 MINI vehicles. Both brands set new records. The carmaker's top three sellers are the BMW 5 Series, 3 Series and the X1, all produced at the company's joint venture in Shenyang. Some 107,800 BMW 5 Series sedans were sold last year, about a third of the automaker's total in the country, becoming the first BMW model to break through the 100,000-unit benchmark. Mercedes-Benz, the third-largest premium carmaker in sales, tallied 206,150 units in China last year, also a record high, but its annual growth rate was just 4%, far lower than its rivals, mainly due to difficulties in its sales channels. China's luxury car sales increased about 18% to 1.2 million units last year. German companies together accounted for three-quarters of the total.

JV plans to double Peugeot-branded vehicle sales in three years

PSA Peugeot Citroen's joint venture with Dongfeng Motor Corp plans to double sales of Peugeot-branded vehicles in the next three years. The dual-brand joint venture making both Peugeot and Citroen vehicles announced an ambitious mid-term plan for its Peugeot brand that aims to bring six all-new models to the Chinese market in the next three years and double the 216,000 vehicles sold last year. The plan also calls for ambitious expansion of its sales and service network from the current 300-odd dealerships to 500 in 2015 serving 85% of the nation's cities. In addition, the blueprint sets a target for Peugeot to be among the top five in customer satisfaction in both showroom experience and after-sales services. The business plan was released at the launch ceremony for the brand's first locally made SUV, the

Dongfeng Peugeot 3008 in Chengdu. “China is the most important market for the Peugeot brand,” Maxime Picat, Managing Director for the Peugeot brand at PSA, said. China sales increased 9.2% last year to 442,000 units, including some 216,000 Peugeots and 226,000 Citroens. The newly launched Dongfeng Peugeot 3008 SUV is expected to help drive sales by grabbing a share of the fastest growing segment of the Chinese market. The 3008 is available with 2.0-liter natural-aspirated or 1.6-liter turbo powered engines. The compact SUV sells from CNY159,700 to CNY214,700, going head-to-head with the Hyundai ix35, Nissan Qashqai, Buick Encore, Kia Sportage R and Mitsubishi ASX. PSA Peugeot Citroen has another partnership, with Chang’an Automobile Group, which plans to make the Citroen DS series cars in the second half of this year in Shenzhen, the China Daily reports.

Saab to build electric cars in Qingdao

National Electric Vehicle Sweden (NEVS), owner of Swedish carmaker Saab, signed an agreement with an investment company in Qingdao to build a plant making both conventional and electric Saab-brand cars in a CNY10 billion production facility with a designed production capacity of 400,000 vehicles a year. The city government of Qingdao, through its investment company, has taken a 22% share in NEVS for USD310 million. The latest move marked a fundamental change in the NEVS business plan. When it bought Saab last summer, the company said that it would not produce automobiles anywhere other than in Saab’s former Trollhattan plant. However, NEVS sees China as a key market for its future electric products. The Chinese government has set a target of 500,000 electric and plug-in hybrid vehicles on the road by 2015, which would rise to 5 million by 2020. The ambitious blueprint was used as an important argument when NEVS won the bid for Saab. NEVS’ majority owner, Kai Johan Jiang is a Swedish citizen, was born in Shandong province. At present, both NEVS and the Qingdao investment company have no license to produce vehicles and the project needs approval from the National Development and Reform Commission (NDRC), which has become stricter in approving new projects because it wants to consolidate China’s fragmented automotive industry. The existing market is also limited, as only a few thousand electric cars were sold in China last year. Zhu Bin, Analyst with LMC Automotive, noted that “more car buyers in China will go after diversified and individualized products, so the opportunity for the Saab brand is there”, but he questioned whether NEVS had sufficient capital to invest in new technologies and new, attractive products. NEVS said the company is now studying the feasibility of beginning production of the last-produced Saab 9-3 model in the second half of this year. The first electric vehicle model is planned for launch in early 2014, the China Daily reports.

Dongfeng remains China’s second-largest auto group

Dongfeng Motor Corp retained its title as China’s second-largest auto group in 2012 on sales of 3.07 million units, according to the company’s full-year report. The Chinese partner of Nissan, Honda, PSA Peugeot Citroen and Kia, Dongfeng produces cars and trucks carrying both foreign marques and its own brands. Its passenger vehicle sales totaled 2.45 million units last year, an increase of 5.42% from 2011. It delivered about 623,000 commercial vehicles in 2012 compared with 729,700 units the previous year. The robust sales were aided by the performance of its independent brands, which sold 1.12 million units to rank among the top three homegrown vehicle makers. The figure includes 606,000 commercial and 428,000 passenger vehicles carrying its own brands of Dongfeng trucks and Fengshen and Fengxing cars. Dongfeng exported 80,000 vehicles during the year, a record for the group. Shanghai-based SAIC remains at the top of all domestic auto groups with sales totaling 4.49 million units in 2012, up 12% from 2011. Beijing’s BAIC Group, the fifth-biggest carmaker by sales, delivered 1.7 million vehicles in 2012. Although it failed to meet its original goal of 1.8 million units, its yearly growth of 10.3% was still higher than most domestic manufacturers.

GAC and Fiat to build Jeep’s in China

Guangzhou Automobile Group (GAC) has signed an agreement with Italian manufacturer Fiat and its Chrysler Group subsidiary to build and sell more vehicles, including Jeeps, in China. A joint venture involving GAC, Fiat and Chrysler already builds the Fiat Viaggio and distributes models such as the Fiat 500 subcompact, Freemont and Bravo in China. The production of more models is planned under the new agreement. Various Jeep models are already sold in China, including the Grand Cherokee, Wrangler and Compass, but all are imported. “This agreement is another milestone in our partnership with Fiat and Chrysler Group,” said GAC General Manager Zeng Qinghong in a statement. “It definitely creates the basis for our JV to reach very ambitious objectives in the Chinese market." Details about which Jeep model might be built, or when, were not disclosed. Zeng expects production to begin next year, as there is increased demand for the Jeep brand. "The Grand Cherokee is Jeep's top-of-the-line SUV and does well in China. But Jeep needs an entry-level vehicle for non-premium buyers. Rather than import entry-level vehicles from the U.S., it makes more financial sense to build and distribute in China," Aaron Foley, Associate Editor of Detroit-based WardsAuto, an industry-information website, said. Jeep President and CEO Mike Manley said any production in China would be "relatively incremental."

Volvo Car's China sales down 10.9% last year

Volvo Car Corp, owned by Chinese group Zhejiang Geely Holding Group, has reported a 10.9% sales decline in China, despite the country's overall rising demand for luxury vehicles. Volvo delivered 41,989 vehicles to Chinese consumers in 2012, compared to 47,000 vehicles in 2011, which had represented a 55% surge at the time. The weak performance in China, its third-largest market, dragged its global sales down by 6.1% year-on-year to 421,951 vehicles. The company attributed the sales drop in China to the absence of its flagship model S40 as well as a fierce competition and a price war within the imported luxury vehicle sector, which officials said would continue to put pressure on margins in 2013. Volvo will launch six new or updated models this year in China, in a bid to revise the downward trend. One analyst said that being taken over by Geely had damaged Volvo's premium brand image, having an impact on sales in such a fiercely competitive market." Volvo previously said it planned to sell more than 200,000 vehicles in China by 2015. The company is building plants in Chengdu, Sichuan province, Shijiazhuang, Hebei province, and Daqing, Heilongjiang province, to produce models including the S60L and V40. The first made-in-China models are expected to roll off the production line this year at the Chengdu plant, and it is hoped that local production may boost sales by 20% year-on-year to 50,000 vehicles in 2013, the China Daily reports.

FAW VW raises production capacity and sales

FAW Volkswagen Automobile Co General Manager An Tiecheng said the company aims to sell 1.8 million cars in 2015. Sales surged by 28% to 1.33 million units last year, helping the company grab 9.5% of the entire passenger vehicle market in China, up 1.4 percentage points from 2011. An said FAW Volkswagen expects its sales to grow 15% this year to 1.5 million units. Construction on the joint venture's manufacturing facility in Chengdu was completed last month, with an annual production capacity of 540,000 vehicles. An said FAW Volkswagen will have a total production capacity of 1.8 million units a year by 2015. Its home base in Changchun will have an annual capacity of 900,000 units. Adding to the total are its new plant in Chengdu and a facility in Foshan in the south with a capacity of 360,000 units a year. FAW Volkswagen now makes the Volkswagen Magotan, Sagitar, Golf, Bora and Jetta, as well as the Audi A6, A4 and Q5. FAW has a 60% stake in the joint venture. It will launch a range of new products including the all-new Jetta, the seventh-generation Golf and the Audi Q3 this year. An added that FAW Volkswagen will further boost its R&D capabilities to be able to develop an entire car in 2015, including chassis, powertrain and electronics. Dietrich Brassler, Deputy General Manager and CFO of the joint venture, said the company will continue to expand car financing services to boost sales.

More than one million vehicles exported in 2012

China's vehicle exports topped the one-million mark for the first time in 2012. The latest statistics from the China Association of Automobile Manufacturers (CAAM) show that the country delivered a total of 1,056,100 units abroad in 2012, a 29.7% rise on 2011. Though the year-on-year growth slowed from 50% in 2011, the rate is still much higher than the 4.3% increase for the domestic market. Passenger cars accounted for 45% of the exports while trucks accounted for 27.9%, said the Association. China's vehicle exports have increased by an average of 46.3% year-on-year since 2001, when there were just 19,000 units exported. Chinese automakers Chery Automobile Co and Zhejiang Geely Holding Group both saw exports of over 100,000 units in 2012, making them the top exporters, followed by Great Wall Motors Co, SAIC Motor Corp and Chongqing Lifan Industry (Group) Co. Statistics from the General Administration of Customs show that in the first 11 months of last year, the revenues of China's total vehicle exports increased 8.6% year-on-year to USD67.82 billion. Anhui-based Chery had also established 17 manufacturing bases in 15 countries in five continents by the end of 2012. Chery's exports have surged by 163% annually on average since 2001 to 160,200 units in 2011. Geely said that its exports surged 164% year-on-year in 2012, making it one of the fastest-growing players in the sector. It exported 100,300 units overseas during the year, including 11,000 units in December alone. The company said that 40% of its total exports were attributed to its premium Emgrand brand. Chery, Geely, Jianghuai Automobile Co, Beiqi Foton Motor Co and Chang'an Automobile Group all have plans to build production bases in Brazil, which is considered the world's fourth-largest automobile market, the China Daily reports.

China also imported 1.07 million vehicles, an increase of 9% on a year earlier. Most of the automakers had a high inventory of imported vehicles, almost 3.5 times their monthly sales.

U.S. clears take-over of A123 Systems by Wanxiang

Wanxiang Group, China's largest auto parts maker, has won U.S. government approval to buy A123 Systems, a bankrupt maker of electric car batteries that was funded by a USD249 million grant from the U.S. government. A123 filed for bankruptcy in October due to weaker than expected demand for hybrid vehicles and technical problems. The company makes batteries for Fisker Automotive, BMW hybrid 3- and 5-Series cars, and General Motors' all-electric Chevrolet Spark, which is scheduled for release later this year. China's SAIC and India's Tata Motors also are customers. The money raised by the sale will be used to repay the battery maker's debts of about USD376 million. Some members of the U.S. Congress and retired military officers had asked the Committee of Foreign Investment in the U.S. (CFIUS) to reject the Wanxiang bid on national-security grounds, citing A123's defense contracts. Wanxiang will acquire all of A123's assets in three business segments – automotive, grid and commercial operations – and their technology, products and customer contracts. Also included are manufacturing plants in Massachusetts, Michigan and Missouri; a cathode-powder plant in China; and an equity stake in Shanghai Traction Battery Systems Co, a joint venture with Shanghai Automotive Industry Corp. The company completed five M&A deals in 2012. Wanxiang entered the U.S. market in 1994 and now has manufacturing operations in 14 states. Its U.S. operations generate annual revenue of about USD2.5 billion and employ 6,000 people.

Geely buys taxi maker Manganese Bronze

Geely has bought Manganese Bronze, the maker of London's black taxis, for GBP11 million pounds, keeping jobs and output of the vehicles in Britain. Manganese Bronze, whose taxis have been on British streets since 1948, went into administration in October, with about a third of its 300-strong workforce losing their jobs. Geely, which already owned about a quarter of Manganese Bronze, said it has agreed a deal with administrator PricewaterhouseCoopers (PwC) to buy "the business and principal assets" of the company. "Geely's priority will be to reestablish the manufacture, sale and servicing of new and current vehicles on broadly the same basis as existed before the business went into administration," Geely Chairman Li Shufu said. "This will include the continued assembly of the TX4 at Manganese Bronze's existing Coventry plant in the West Midlands," Li said. Manganese Bronze has failed to turn a profit since 2007. Late last year, the company said its financial position was unclear after the discovery of a safety defect in its new TX4 model that led to a recall of 400 taxis and a halt to sales. Its main competitors are Eco City Vehicles' Mercedes Vito taxi and Japan's Nissan Motor Co, which is also due to launch its own taxi in Britain. Manganese Bronze, established in 1899, was once an important carmaking conglomerate in Britain. More than 130,000 of its iconic black cabs have been produced over the years.

Fast Auto Drive to build plants abroad

Shaanxi Fast Auto Drive Group Co, the world's largest heavy-duty vehicle transmission manufacturer by annual output, plans to build its first overseas factories this year. The company expects to see a 15% to 20% increase in sales this year as a result of international expansion and developing new products. Its export sales grew by 3% in 2012, while domestic sales fell by 20%. Heavy-truck sales in China dropped by 28% in 2012 year-on-year, but some analysts said business will improve this year. "The heavy truck industry can expect 10% sales growth in 2013 because of the economic recovery and greater capital investment," said Chen Shi, Analyst from UBS Securities. The company's investment in new-product research will reach CNY300 million in 2013, up from the CNY200 million in 2012.

Dongfeng and Volvo set up truck JV

China's Dongfeng Motor Corp and Sweden's Volvo agreed to form a joint venture to produce medium and heavy-duty trucks carrying the Dongfeng nameplate for sale in both domestic and overseas markets. According to the agreement, Dongfeng will own 55% of the venture, while Volvo will pay about NY5.6 billion for a 45% stake. The new venture, Dongfeng Commercial Vehicle Co, will have seven board members, four appointed by the Chinese partner and three by Volvo. China's second-largest auto group, Dongfeng sold more than 3 million vehicles last year, including more than 205,000 medium and heavy-duty trucks, making it the biggest domestic manufacturer in the segment. The group's medium and heavy-duty truck unit was previously part of its partnership with Nissan Motor Corp. The large Sino-Japanese joint venture also produces passenger cars and light-duty commercial vehicles. The recent agreement calls for Dongfeng to buy out Nissan's share in the truck unit and transfer a 45% stake to Volvo. Dongfeng President Zhu Fushou said the "strategic alliance" with Volvo will help the company quickly improve its research and development capability and accelerate its entry onto international markets. "We will jointly develop new trucks and new engines that can meet the latest emission standards, as well as transmissions, all under the Dongfeng brand," Zhu said. "Dongfeng and Volvo will share resources in suppliers, manufacturing and international sales to achieve the best synergy," he said.

The new venture will retain the former production facilities in Hubei, the home base of Dongfeng. Volvo and Dongfeng already have a joint venture in Hangzhou, Zhejiang province, that makes chassis for big trucks and buses. Dongfeng started the joint venture in the 1990s with Japan's UD Trucks, which was acquired by Volvo in 2007. Both companies said their cooperation in Hangzhou works well, which led to the "further step" in the latest agreement on trucks. Still pending government approvals, the transaction is expected to be completed in 12 months, according to a statement from Volvo, which said the partnership will make it the world's biggest heavy-duty truck maker in annual sales. Sales of heavy trucks in China last year totaled about 636,000 units, the lowest number in the past three years. LMC Automotive forecasts China's heavy-duty truck sales might see a 10% increase to more than 700,000 units. In addition to Dongfeng, almost all major truck makers in China have formed joint ventures with foreign partners to improve their technological strength. China National Heavy-duty Truck Corp (Sinotruk) has partnered with MAN, Jianghuai Automobile Co with U.S. company Navistar, and Bejing-based Foton with Daimler, the China Daily reports.

Short news

- Global automakers consider China as their top choice for investment because of its huge domestic demand and export opportunities, a KPMG survey showed. China was favored by 70% of respondents as the top investment destination over other BRIC countries, according to the auditing firm's 14th annual global auto executive survey among 200 respondents in 31 countries and regions. The survey also showed that 94% believed that China's domestic car sales will continue to grow, driven by the rising middle class and growing urbanization. Four Chinese automakers may rank among the top 10 companies in global market share over the next five years, and the BRIC markets may account for nearly half of worldwide vehicle sales by 2018.
- China now has nearly 30,000 new energy vehicles on the road and will promote the use of hybrid buses in the future, Zhao Yuhai, Director of the High-tech Department of the Ministry of Science and Technology, said. 23,000 new energy vehicles are now used for public transport in 25 pilot cities, with the rest privately owned.
- Toyota, Honda and Nissan all reported annual sales declines in China last year following protests and a boycott over the Diaoyu Islands dispute. Sales at Toyota and Nissan decreased more than 5% to 850,000 units and 1.18 million units respectively, while Honda dropped 3.1% from the previous year to fewer than 600,000 units.
- Shenyang-based Brilliance Automotive, the Chinese partner of BMW Group, sold more than 670,000 vehicles in 2012, an increase of 18% from last year, to become the seventh-largest domestic automaker by sales, one place higher than its position in 2011. It aims to sell 750,000 vehicles in 2013, among them 69,000 exports.
- Great Wall Motors, which mainly makes MPVs, SUVs and light trucks, said its 2012 sales grew 28% last year to 625,000 units, surpassing its original target of 600,000 units. In December alone, it sold 68,000 vehicles, a surge of 29% over the same period last year. Of the total, the automaker, headquartered in Baoding, Hebei province, sold 96,000 vehicles overseas, an annual increase of 16.1%. The company

has set a sales target of 700,000 vehicles for 2013.

- Ford China delivered 626,616 vehicles last year, an increase of 21% over 2011. Its joint venture with Chang'an sold 418,500 units, an increase of 31%, while its commercial vehicle joint venture Jiangling Motor sold 19,941 units, a rise of 14%.
- After eight years in the making, China's car warranty regulation will finally take effect on October 1, giving official backing to customers' rights to return faulty vehicles and ask for a replacement or a refund in the first two years or 50,000 kilometers if serious faults could not be repaired. Additionally, consumers can enjoy free repairs in the first three years or 60,000 kilometers if their cars have quality problems. The China Consumers' Association received 16,805 complaints from car users in 2011. According to the China Association for Quality, 4,664 complaints were filed by car users in the first half of 2012, of which 30% were about engine problems.
- Rolls-Royce Motor Cars made around 30% of its total sales last year in the Chinese mainland, its second-largest market in 2012, slightly behind the U.S. Rolls-Royce currently has 15 dealers in China. During 2012, its two dealerships in Beijing and Shanghai were listed among the top three worldwide in terms of sales, for the second year running. In 2012, another British luxury brand – Bentley – saw its sales in China increase by 23% from a year earlier to 2,253 units, accounting for a quarter of its total global sales. Bentley plans to expand its distribution network to 40 dealerships, covering all major provinces in China.
- General Motors will add 400 dealers in China this year to 4,200 locations as it looks to keep growing faster than China's overall automotive industry which is expected to grow by 8% this year, Bob Socia, GM China President, told reporters at the Detroit auto show. The brands sold by GM and its joint ventures in China include Buick, Chevrolet, Cadillac, Opel, Baojun and Wuling. Sales of passenger cars and commercial vehicles in China should grow 5% to 8% this year, hitting 21 million vehicles, Socia said.
- Shanghai car plate prices surpassed the CNY70,000 benchmark for the first time in the January auction. In the seventh consecutive month of hitting a record high, the lowest winning bid for a Shanghai car plate shot up to CNY75,000. The average price surged CNY5,986 on December's figure to CNY75,332, the Shanghai Commodity International Auction Co said. The steep price increase came after the city reduced the supply of car plates by 300 from last month to 9,000 – the lowest in nine months – while the number of bidders increased from 18,244 to 20,857. This saw the percentage of motorists with successful bids fall from 51% in December to 43%.
- Tsubakimoto Chain, an Osaka-based car-parts supplier, is considering expanding in China to meet a surge in orders from Volkswagen and General Motors as a territorial dispute damps demand for Japanese cars. Tsubakimoto is studying building factories near Shanghai or Tianjin to meet an expected capacity shortfall.
- Daimler, the world's third biggest maker of luxury vehicles, will sell a limited edition of its Smart city car through Sina Weibo, China's largest microblog service, as it reaches out to China's internet users. Weibo says it has more than 368 million registered users. Buyers have to put down a CNY1,999 deposit for the CNY128,888 car.
- Daimler said it will pay €640 million for 12% of BAIC Motor, a unit of Beijing Automotive Industries Corp, with which it makes Mercedes-Benz cars in China. Daimler said the investment was to prepare for a possible initial public offering (IPO) by BAIC Motor.
- Spanish lender Banco Santander has received Chinese regulatory approval to form a 50-50 joint venture with China's seventh-largest automaker, Jianghuai Automobile. Fortune Auto Finance will have a registered capital of CNY500 million, making Santander one of the fist foreign banks to get a car finance license in China. The venture will provide auto financing services to cars made by JAC and other brands, the bank said.
- Only one new-energy car plate was issued on the first day they were made available free-of-charge in Shanghai. The plates are similar to normal car plates but start with the letters "DZ." The issue of new-energy car plates comes at a time when the average auction price for a conventional car plate has soared above CNY75,000. The Shanghai government will pay a subsidy of CNY40,000 for electric vehicles and CNY30,000 for plug-in hybrids, in addition to a maximum CNY60,000 offered by the central government. The owner of the Roewe E50 saved about CNY170,000 and paid

just about CNY130,000 for a car that is priced at CNY234,900 without the taxes.

- A recent report from China Galaxy Securities shows that Chinese carmakers on average used only 58% of their production capacity last year, while Sino-foreign joint ventures operated at 90%. The report estimates that only four domestic carmakers will use more than 60% of their production capacity this year.
- Chongqing's Chang'an Automobile Group has recently built a testing facility for vehicle resistance to cold in Heihe, Heilongjiang province. This year Chang'an plans to export 15,000 vehicles to Russia, where the government has stringent requirements for vehicles to operate in extreme cold. Chang'an plans to build a similar test center this year in Mohe, China's northernmost and coldest city.
- China is likely to become Bentley's largest market in 2013. The carmaker delivered a record of 2,253 units in the country last year, surging 23% from 2011, next only to its delivery of 2,457 units in the U.S. Bentley, now a unit of Volkswagen, sold 8,510 cars across the globe in 2012, an increase of 22%. China is currently Bentley's second-largest market.
- Anhui Jianghuai Automobile Co (JAC) is set to produce 100,000 electric vehicles by the end of the 12th Five Year Plan (2011-15) period, as it aims to become the top domestic brand in the new-energy car sector, said Yan Gang, Deputy General Manager at the 2012 Global New Energy Vehicle Conference in Hainan province. The company has sold more than 5,000 electric vehicles since 2010.
- Michelin launched its biggest investment project in China, a USD1.5 billion tire plant in Shenyang, Liaoning province, capable of making 12 million tires for cars and trucks annually. The new plant will be Michelin's biggest worldwide and replace its old facility in Shenyang, which began production in 1996. "We expect our business to speed up by two to three times over the coming years, as the Chinese tire industry will maintain booming momentum, boosted by rapid growth of auto sales in recent years," said Philippe Verneuil, President of Michelin China.
- Sales at Toyota Motor and its Chinese joint ventures rose 23.5% in January compared with a year earlier, the first rise since the outbreak of anti-Japan protests last year that led to a sharp drop in sales among Japanese carmakers. But analysts remarked that the Spring Festival fell in January last year, and in February this year, and comparisons should be made on first-quarter data rather than monthly figures. Toyota said it and its Chinese partners sold 72,500 cars in the country in January. Toyota's China sales fell 15.9% in December. Last month's rise was the first year-on-year growth since June last year.
- Toyota Motor is recalling 22,869 Lexus cars in China because of defects with windshield wipers, the biggest callback since a new law broadening manufacturer liability came into force this year. The company is recalling the imported Lexus IS cars, which were made from January 2006 to September 2011. Last year, a total of 113 cases of vehicle recalls were administered in China, with 3.2 million defective vehicles being recalled, a 75% increase from a year earlier.
- Shanghai Maple Guorun, a subsidiary of Zhejiang Geely Holding Group's Hong Kong-listed arm, said that it has signed an agreement with Kandi Vehicles to set up a 50-50 joint venture for electric vehicles. With registered capital of CNY1 billion, the joint venture will engage in the investment, research and development, production, marketing and sales of electric vehicles on the Chinese mainland. The venture will not become a subsidiary of Geely or Kandi, and its financial results will not be consolidated into the financial statements of either groups or their respective subsidiaries.
- General Motors and its joint ventures sold more than 300,000 vehicles in a single month for the first time ever in January. Sales totaled 310,765 units, an increase of 26% from the same month in 2012 and 15.9% above the previous all-time monthly high of 268,035 units in January 2011. Domestic sales by its Chinese ventures Shanghai GM and SAIC-GM-Wuling, and their Buick, Chevrolet and Wuling brands all set single-month records in January.
- A Chinese electric vehicle consortium led by the Beijing Institute of Technology has signed agreements with the Warsaw University of Technology and Tauron Polska Energia to help develop an electric bus network in Poland. Six electric buses on a platform developed by Beijing Institute of Technology, will be made for the two-year trial project in Poland. The Chinese group consists of BIT and its subsidiary BIT

Huachuang Electric Vehicle Technology Co, along with CITIC Guoan Mengguli Power Science and Technology Co, and Shanghai Dianba New Energy Technology Co. Six charging and swapping stations will later be set up in five Polish cities, with 780 purely electric buses in operation.

METALS

European Commission raises steel subsidy issue in report

The European Commission has concluded that China is providing illegal subsidies to its steel manufacturers, paving the way for European companies to seek higher import tariffs on a wide range of Chinese products. It said Beijing was helping makers of organic coated steel – used in construction and to make household appliances – to obtain materials at below market prices. It recommends hitting imports of Chinese coated steel with countervailing duties of up to 50%. Last year, the Commission imposed provisional anti-dumping duties of up to 58% on Chinese steel producers over a related complaint. The report said China provided the subsidies mainly through export restrictions that artificially lower prices of rolled steel for domestic manufacturers. The Commission also concluded that Chinese coated steel producers benefited from subsidized land, water, electricity and loans. Beijing has repeatedly denied that its subsidies are illegal, and has pointed instead to a range of support schemes employed by Brussels and European governments to support European companies, the Financial Times reports. The 27 EU member countries voted to back the proposal to add duties to the coated steel products. The highest subsidy punitive duties will be up to 45.5%, much higher than 12% tariffs imposed on Chinese coated fine paper in European countries two years ago, which marked the first time the EU had penalized the country for alleged illegal subsidies. Together with the anti-dumping duties, total tariffs on China's coated steel products entering the European market have now reached 58.3%. Over the past year, China's total net steel product exports were 44.38 million metric tons, accounting for about 6.2% the country's crude steel output, according to CISA figures.

China Gold International Resources ramps up production

China Gold International Resources, the overseas-listed flagship of the nation's largest gold producer China National Gold Group, plans to spend CAD705.11 million to expand the output of its copper mine in Tibet sevenfold by 2015. The Vancouver, Canada-based firm, listed in Toronto and Hong Kong, has also maintained its overseas asset acquisition efforts, despite not having clinched any deal in the past two years, said Executive Vice President Jerry Xie. "We have many targets in the pipeline, some of which are under negotiations," Xie said. The company is China National Gold's exclusive acquisition vehicle overseas, and has previously acquired or operated overseas firms with assets in mainland China. China Gold International, formerly Canadian-run Jinshan Gold which operated the Chang Shan Hao gold mine near Baotou in Inner Mongolia, was taken over in 2008 by state-owned parent China National Gold, which now owns a 39% stake. China Gold International subsequently took over the Jiama mine near Lhasa, Tibet, that produces copper, molybdenum, gold and silver. The firm plans to spend CAD212 million to double the Chang Shan Hao mine's annual output capacity to 260,000 ounces by late this year, and reach full production by early 2015. China Gold International also plans to spend CAD705 million to ramp up the Jiama mine's annual copper output capacity to 80,000 tons by early 2015 from a projected 11,522 tons last year. China Gold International's gold output surpassed 138,000 ounces last year, ahead of its target of 130,000 to 135,000 ounces, Xie said. Its copper output is expected to approach 11,500 tons.

China's top 10 steel mills to control 60% of capacity by 2015

China aims to bring around 60% of total steel capacity under the control of its top 10 steel mills by 2015 as part of a wide-ranging plan to restructure its industries. The Ministry of Industry and Information Technology (MIIT) announced it would encourage big state firms to acquire smaller rivals in a variety of industrial sectors, including automobile and machinery manufacturing as well as agriculture, metals and cement. It added it would also seek to bring 90% of automobile production under the control of its top 10 firms by the end of 2015 as well as 90% of aluminum production capacity. The government also plans to cut the number of firms involved in the exploration, smelting and separation of rare earths over the next three years. Around half of China's total steel capacity is now owned by the 10 biggest steel firms following previous restructuring programs, but Beijing has struggled to overcome obstructionism and red tape from local bureaucracies, or change the economic incentives that have allowed small and private mills to thrive. Local governments remain big supporters of steel mills, said Henry Liu at Mirae Asset Securities in Hong Kong. Chi Jingdong, Vice Secretary General of the China Iron and Steel Association (CISA), told a conference in December that total steel capacity now stands at 980 million tons – a surplus of nearly 300 million tons. According to new guidelines to combat pollution, steel mills will not be permitted to build new capacity in 47 large cities, including Beijing, Shanghai, Tianjin and Chongqing.

CISA members report profit losses

The combined profit of the members of the China Iron and Steel Association (CISA), which accounted for 82% of China's crude steel output last year, tumbled 98.2% to CNY1.58 billion. Angang Steel Co predicted a loss of CNY4.16 billion for 2012, almost doubling from 2011's loss, and Maanshan Iron and Steel Co reported a preliminary loss of up to CNY3.95 billion. Baoshan Iron and Steel Co, China's largest listed mill, said that 2012's net profit may have risen 40% as gains from asset sales offset a decline in its core business. Excluding the gains, operating profit would have dropped by 33%. The Association said that it expected a better environment for the industry this year as demand is set to rise with a rebound in economic growth although oversupply and high raw material prices linger. It earlier forecast China's steel demand to rise 3.1% this year after climbing 2.5% in 2012. "Although steel mills have raised prices recently due to cost pressure, further steel price increases would depend on demand recovery, which we believe would be mild," Morgan Stanley analysts wrote in a note.

Short news

- Benxi Steel Group Corp's sales revenue exceeded CNY100 billion in 2012, up 10% year-on-year. In 2012, its exports contract volume reached 4 million metric tons, up 48% year-on-year, which contributed USD2.3 billion. The company, based in Benxi, Liaoning province, is one of the main iron and steel producers in China with an annual output of 20 million tons of high-quality steel products.
- China's nickel pig iron output in 2013 may rise 25% more than previously forecast as costs decline, curbing nickel imports, Japan's top producer of the metal said. China's output of nickel pig iron, a substitute for low-grade ore from Indonesia and the Philippines, will reach 300,000 metric tons in 2013, said Toru Higo, General Manager of nickel sales and raw materials at Sumitomo Metal Mining Co.
- Chinalco Mining Corp International, a unit of China's biggest aluminum producer, plans to raise as much as USD435 million in an initial public offering (IPO) in Hong Kong to fund its copper project in Peru. Chinalco Mining, owned by Beijing-based Aluminum Corp of China, plans to use about 30% of the proceeds to develop the USD2.2 billion Toromocho project. Copper consumption in China, the biggest buyer, will expand 4.9% this year, following a 4% gain in 2012.
- China Minmetals Corp has recorded a 37% drop in annual profits to CNY8 billion, which it blamed on falling global commodity prices and a domestic economic slowdown. Revenue last year was CNY325 billion, said President Zhou Zhongshu. He predicted that the era of soaring demand for metals in China had gone, and that companies in the industry will continue to face difficulties in making profits. "The capital-driven growth of the metals industry cannot be sustained in the future," he added. Zhou said the company's 2013 target is to keep profits stable at CNY8 billion, with total revenue of CNY320 billion.
- Anshan Iron and Steel Group Corp (Ansteel) turned its losses into profits in December. Chairman Zhang Guangning said the group will make every effort to increase efficiency in 2013. In the first quarter of 2012, the company posted a loss of CNY1.89 billion. In 2011, its losses reached CNY2.446 billion.
- The Aluminum Corp of China (Chalco) warned it would seek legal redress if Mongolia breaks what it says is a loss-making coal supply deal. Mongolia's state-owned Erdenes-Tavan Tolgoi (E-TT), which runs the 7.5 billion ton Tavan Tolgoi project, wants to renegotiate a deal with Chalco to supply USD250 million of coal. E-TT delayed an IPO of up to USD3 billion, citing problems including the deal with Chalco.
- Wuhan Iron and Steel (Group) Corp, China's fourth-largest steelmaker by output, is to boost investment in overseas iron ore mines and plans to achieve 100% iron ore self-sufficiency in three to five years. It also wants to abandon its heavy reliance on imported iron ore, which is sold at high prices by the top three iron ore producers.

Wisco said in a statement it will “secure part of iron ore resources in Canada and Brazil to achieve self-sufficiency”.

- Baoshan Iron and Steel Co raised prices for main products for the second time in a month in January. The booking prices for March delivery will rise CNY200 a ton for most hot-rolled and cold-rolled products. The Shanghai-based mill raised February prices by CNY160 a ton on January 7. The firm is bullish over demand for March and April, the traditional peak season.
- Aluminum Corp of China (Chalco) said it swung to a full-year loss on falling prices and higher costs for alumina. The company has sought to diversify into coal and iron ore mining to cut its dependence on aluminum smelting.
- China has tightened regulations on gold trading conducted by banks in a move to enhance supervision. The Shanghai headquarters of the People's Bank of China (PBOC) requires all domestic and foreign banks to report their existing gold trading activities. The new interbank system provides real-time trading data to the regulator.
- Hong Kong’s net gold flow to mainland China jumped 47% last year to a record high of 557.478 tons, indicating robust demand in China, which vies with India to be the world’s top gold consumer. Hong Kong shipped 114.372 tons of gold to China in December, also a record high for monthly exports. The city received 19.644 tons of gold from the mainland in that month. Its total gold shipments to China last year jumped 94% from the 2011 total to over 832 tons, but imports also were six times higher at 274.684 tons, data from the Hong Kong Census and Statistics Department showed.
- Inner Mongolia produced 20,095 kg of gold last year, 20% more than in 2011. Chifeng topped all the cities in Inner Mongolia, with an output of 7,638 kg of gold, up 10% year-on-year. Hohhot had the highest rate of growth, up 73% to 440 kg.

MINERALS

Two Chinese companies to invest in Russian miner IRC

IRC, a Russian iron miner listed in Hong Kong, has clinched deals that would see China’s largest steel trader and the largest privately-owned steel smelting raw materials trader invest a total of USD238 million in IRC. The investments would fund a large part of IRC’s USD400 million, three million ton-a-year second-phase expansion of the Kimkanskoye & Sutarskoye (K&S) iron ore mine, which would raise IRC’s annual output capacity by 73% by 2015. General Nice Development, China’s largest privately-owned steel smelting raw materials trader controlled by businessman Cai Suixin, has agreed to buy 851.6 million new IRC shares for USD103.3 million, giving the Tianjin-based unlisted firm an 18.9% stake. The deal is subject to approval by shareholders of IRC and its London-listed parent Petropavlovsk Group, and is expected to be completed by the end of March. Upon completion of the first deal, General Nice has agreed to buy a further USD104.7 million of IRC shares, raising its stake to 31.4%. Minmetals Cherglory, a Hong Kong subsidiary of state-owned China Minmetals, the nation’s largest steel trader, will also buy USD30 million of IRC shares for a 4.5% stake. Petropavlovsk’s stake will be diluted to 40.4% from 63.1% upon completion of all the purchases. As part of the deals, General Nice and Minmetals Cherglory have agreed to buy K&S’ output for 15 years. IRC produced 969,436 tons of iron ore from its Kuranakh mine last year, 18% above its target. It aims for 900,000 tons of output this year. IRC is building the USD360 million, 3.2 million ton-a-year first-phase of the K&S mine, which is backed by a USD340 million loan from the Industrial & Commercial Bank of China (ICBC).

Short news

- Erdenes Tavan Tolgoi, Mongolia’s largest state-owned coal company, halted deliveries to China after failing to pay a company that provides logistical support, its CEO said. Exports to customers, including Aluminum Corp of China, stopped on January 11 as Erdenes couldn’t pay Altangovi, said Yaichil Batsuuri, who has led the company since October. Altangovi provides warehousing services at the border with China, the biggest buyer of Mongolia’s steelmaking coal. The halt comes as Erdenes seeks a government loan for as much as USD500 million to repay debts and fund infrastructure construction.
- China discovered more than 1.4 billion tons of new proven oil reserves last year, its

third-highest annual haul ever, while its proven reserves of natural gas rose by a record of nearly 900 billion cubic meters over the year, the Ministry of Land and Resources said. The country also added more than 7 million tons of copper reserves and nearly 400 million tons of bauxite over the year. Coal resources increased by 132 billion tons, gold resources by 604 tons, and iron ore resources by 5.4 billion tons.

- China exported 16,265 tons of rare-earth ore, metals and compounds last year, falling below the annual export quota of 30,966 tons, and down 3.5% on 2011. In December, China exported 3,252 tons of rare-earth ore, metals and compounds. In December, the Ministry of Commerce (MOFCOM) set the first batch of rare earth export quotas for 2013 at 15,501 tons, which will be shared by 24 companies. The value of China's exports of rare earths tumbled 66.1% to USD906 million last year.
- China's output of iron ore fell to 119.48 million tons in December, down 4.1% from November, with freezing weather in northern regions hitting production. Full-year production jumped 14.5% from the previous year to 1.31 billion tons last year, data from the National Bureau of Statistics (NBS) showed. China has long sought to increase its domestic iron ore supply to cut its reliance on imports, which hit a record level of 70.94 million tons in December. China typically produced 120-130 million tons of low-grade iron ore per month last year, and imported around 60 million tons.
- The price of coal is likely to remain bearish this year because of surplus production and the probable further decline of power production, Zhang Guobiao, former Director of the National Energy Administration (NEA) said. The coal price has declined by CNY200 per metric ton since May, and the price at Qinhuangdao Harbor remained in a trough at around CNY645 per ton even during the peak demand period in winter. China's coal production grew by 4% in 2012, down 4.7 percentage points from the previous year.

FOUNDING MEMBERS

STRUCTURAL PARTNERS

<u>**Your banner at the FCCC website or newsletter**</u>

Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

<u>**Organisation and founding members FCCC**</u>

President: Mr. Bert De Graeve, C.E.O., NV BEKAERT SA

Membership rates for 2013:

- Large enterprises: €975
- SMEs: €385

Contact:

Flanders-China Chamber of Commerce
Voldersstraat 5, B-9000 Gent
Tel.: +32 9 264 84 86/82 – Fax: +32 9 264 69 93
E-mail: info@flanders-china.be
Website: www.flanders-china.be

Share your story:

To send your input for publication in a future newsletter mail to: info@flanders-china.be

Flanders Investment & Trade
Government of Flanders - Belgium

This newsletter is realized with the support of the Federal Government of Belgium, the Flemish Government, the Walloon Government and the Government of the Brussels-Capital Region.

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com . Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.