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AUTOMOTIVE

Strong growth in vehicle sales in first two months

China's combined January and February vehicle sales grew by 14.7% to 3.39 million units despite a blip caused by the Lunar New Year holiday – a huge turnaround from the sales decline in the same period of last year, the China Association of Automobile Manufacturers (CAAM) said. Passenger car sales, which include cars, multi-purpose vehicles (MPVs) and sport-utility vehicles (SUVs), surged 19.5% to 2.84 million units in January and February, posting the biggest increase since 2010. Sales of Japanese brands fell 17.1% year-on-year in the first two months as tensions between China and Japan over the Diaoyu Islands intensified at the start of the year. A government forecast in January said total vehicle sales should rise to 20.8 million this year, up from 19.3 million last year. Market leader GM's China sales in the first two months totaled 525,835 vehicles, an increase of 7.9% year-on-year and a record, while Japanese automaker Nissan Motor Co reported a 14.1% year-on-year drop in sales in the first two months, recovering from the 31.3% year-on-year decline between October and December 2012. Statistics from the China Association of Automobile Manufacturers (CAAM) show that German brands had 19% of the market in January, with Japanese brands holding just under 13% and U.S.-branded vehicles about 12%. China's domestic vehicles accounted for more than 43% of sales. Before the islands dispute started last September, Japanese auto brands held a 20% share of China's auto market. To recover market share, analysts said Japanese carmakers should put more new models on the market and make stronger efforts in marketing and advertising. On February 26, Dongfeng Nissan premiered the new generation Teana in Guangzhou, while Guangqi Honda's Executive Deputy General Manager Yao Yiming said his company will introduce more new cars as soon as possible to cater to Chinese consumers. The company will also add 200 new dealer outlets. Toyota's two Chinese joint ventures announced they will begin work on independently developed brands for sale in China this year.

Qoros Auto to sell its first car in second half

Qoros Auto Co made its public debut at the Geneva Motor Show by unveiling the first in a series of new models aimed at young buyers in China and Europe. The 50-50 joint venture established in 2007 by Chery Automobile and Israel Corp was the only Chinese automaker at this year's show. Qoros presented a four-door compact car, the Qoros 3 Sedan and two concept models – the Qoros 3 hybrid and Qoros 3 estate – at the show. Chairman and CEO Guo Qian said the Qoros 3 sedan has entered pre-production after two years of extensive testing. The model will hit the Chinese market in the second half of this year, with the first European sales expected by the end of the year. The company will produce the sedan in Changshu, Anhui province, with an initial annual production of 150,000 units, rising to 450,000 units a year in the future. "We expect to launch other new model at intervals of six to eight months," said Guo. The Qoros has been created by an international team with major design input from nine different automotive brands. Klaus Schmidt, Qoros' Executive Director for Automotive Engineering joined the company from BMW. The company, which has its engineering, commercial and purchasing functions based in Shanghai, is also building operations in Munich, Germany and Graz, Austria, "to make Qoros a truly international brand".

China's luxury car market shows strong growth

China is expected to surpass the United States to become the world's largest luxury car market in 2016, according to global management consultancy McKinsey. Already the world's largest car market, China is second only to the U.S. in the premium segment, with sales of 1.25 million units last year. However, as more well-to-do Chinese buy premium cars, China is likely to report sales of 2.25 million upmarket passenger vehicles in 2016, leapfrogging the U.S. The premium car segment will grow at an annualized rate of 12% until 2020, exceeding an estimated pace of 8% for the overall market, McKinsey said in a report. By 2020, sales of premium cars would reach 3 million units, it said. McKinsey defines the premium segment as brands ranging from Mini, Audi and Cadillac to Ferrari and Aston Martin, with each vehicle costing between CNY200,000 and CNY1.2 million. While the anti-graft campaign would affect sales of super-luxury cars, the rising income of affluent urban households would ensure that

China could become the crown jewel for the world's manufacturers of premium cars, said McKinsey Partner Sha Sha. McKinsey forecasts that by 2020 there will be 23 million affluent urban households on the mainland with annual disposable incomes of more than CNY200,000. Based on a survey of 1,200 Chinese consumers, it found that buying a car was one of the top three spending priorities, alongside buying an apartment and paying for children's education. Many wealthy Chinese view a premium car as an affirmation of social status and a tool to gain social recognition.

In the first two months of the year, however, growth was slower than last year. Audi's combined sales in the first two months grew 16% year-on-year, significantly slower than the 30% growth seen last year. BMW, the second-largest premium carmaker in China, sold more than 53,800 cars in the first two months, a 9% increase over a year ago, but much less than the 40% surge last year. Mercedes-Benz sold more than 26,800 units in the first two months, a 20% decline from a year earlier. Analysts still expect the luxury car segment to maintain a faster growth rate than the overall passenger car market throughout the year. Luxury car sales now account for 8% of China's total car market, while the penetration rate in the U.S. is around 17% and in Germany it is about 28%, so there is still much room for growth.

Promotions boost green car sales in Hong Kong

Hong Kong dealers offered discounts and promotions on European cars with "green" approvals in a race to sell them before buyers lost their entitlements to tax waivers of up to HKD75,000 on April 1. The promotions helped boost sales of these brands by double digits in the first two months of the year. Audi sales increased three times in the two months as the firm had started stocking up on green vehicles as early as November last year to capture the foreseeable growth. Mercedes Benz, despite its more laid-back approach, saw sales jump 15%, while BMW reported an increase of 77% in deliveries in January, which reflected sales made one or two months earlier. To tighten control on emissions, the bar of "green vehicles" was raised, slashing the number of green car models to 29 this year from 148 last year. With 73 out of 74 European models set to lose their entitlements to the tax break – including BMW's 3 and 5 series, Audi's A3, A6 and A7, Mercedes' E-class and Volkswagen's Golf 1.4 and Jetta – sales in the second quarter are expected to cool. That is why more aggressive players such as BMW said it would offer up to HKD30,000 discounts to buyers who placed orders for their obsolete green models in March. Volkswagen decided to focus on plugging its new Golf 7 model, reducing the price to the same level as the old green model to boost sales. One reason why just one European model remains qualified as an environmentally-friendly vehicle under the new regime, while 28 of the 74 Japanese cars do, is that European cars usually have bigger engine sizes than their Japanese rivals, putting them at a disadvantage when considering emission levels in proportion to engine sizes. Audi, Mercedes Benz, BMW and Volkswagen all said the impact of the tax move would be short-lived and should have little effect on their sales this year.

60% of all new car plant investments go to China

Nearly 60% of global automobile-plant investments in 2012 went to China, and the trend should continue for the foreseeable future, a Canadian research report said. China – the world's largest producer and buyer of automobiles – received CAD9.62 billion last year from new capacity investments, or 59.6% of the global total. The figure over the past four years was CAD40 billion, or 57% of the world total, according to the Office of Automotive and Vehicle Research of the Odette School of Business at the University of Windsor. The report said China has been the world leader in attracting investments since 2002, and received more than half of all such spending in each of the past three years. The large amount of investment to China is a result of the nation's growing consumer power, said Ma Chunxia, Industrial Analyst with Zheshang Securities. In the first two months of this year, 3.4 million vehicles were sold in China, an increase of 14.72% year-on-year, the China Association of Automobile Manufacturers (CAAM) said. China will be the world's biggest auto market for the foreseeable future as the country strengthens its position, said Tony Faria, author of the report. "Sales-wise, nobody is going to touch (China), period. Production-wise, the same is true given the current level of capacity to build in China – plus, new capacity is still piling in," Faria said. Ford, Honda, Nissan, Kia Motors, Daimler, and Jaguar Land Rover all announced the building of new capacity in China in 2012. However, some analysts expressed concern about the huge influx of investment as inventories are increasing, the China Daily reports.

Jianghuai Automobile to raise quality to better compete

An Jin, Chairman of Jianghuai Automobile Co, has vowed to continue to raise the quality of its models as it targets more overseas buyers. He said Chinese vehicle companies can no longer compete on low prices and labor costs, and his company is making efforts to ensure quality standards are raised, while prices still remain affordable. Jianghuai's vehicles are sold in more than 100 countries and regions in the world. An said the company sells about 450,000 vehicles overseas annually, which account for 15% of its entire revenue. JAC aims to achieve a sales target of 1.6 million units with revenue of CNY100 billion by the end of 2015, and An said he hopes exports will account for one-quarter of the company's entire revenue. JAC has the largest market share in commercial vehicles in Brazil and Chile, and is the second-largest commercial vehicle brand in Egypt. Its product portfolio in Africa has also been expanded to cover light, mid-sized and heavy-duty trucks as well as passenger vehicles. In addition to improving quality, An said the company has been setting up more service outlets overseas.

CCTV discovers harmful chemicals used in luxury cars

China Central Television (CCTV) said interiors of vehicles made in China by some luxury automakers may contain harmful chemicals which could cause cancer. Some owners had reported unusual smells and complained of health problems. Asphalt was found in six damping plate samples collected from Audi, Mercedes-Benz and BMW cars. Asphalt materials were used instead of more environmentally-friendly but costlier resins or rubber. CCTV said the three automakers could save CNY97 million to CNY130 million per year in China by using asphalt damping plates, based on the around 650,000 domestically-produced cars they sold in the country last year. China enacted its first guidelines for in-vehicle air quality a year ago, but pungent odors are still a lingering issue for many cars, whether new or used. BMW China, and its joint venture, said that close attention was being paid to the case, and it had been reported to relevant departments. Mercedes-Benz said all the materials it used in its vehicles sold in China followed the company's own quality standards, and were no different from cars sold in any other countries. It would cooperate with relevant departments to launch an investigation, it said. CCTV also found fault with two other automakers, Germany's Volkswagen and China's Jianghuai. Volkswagen has agreed to fix defective direct-shift gearbox systems, while Jianghuai is dealing with rust problems, the Shanghai Daily reports.

Bosch to build largest facility abroad in Nanjing

Bosch Group is investing CNY1.1 billion in a new operation in China aimed at providing car parts and servicing. The investment, to create its largest manufacturing facility overseas, will see the building of a production base and research and development (R&D) hub for Bosch Automotive Aftermarket in Nanjing, Jiangsu province, which will also serve the Asia-Pacific region. The new plant will develop and produce spark plugs, brake components and diagnostic equipment for both independent aftermarket players and original equipment suppliers (OEMs), said Robert Hanser, President of Bosch Automotive Aftermarket. "Choosing China for our largest investment in a manufacturing facility worldwide demonstrates our confidence and commitment to the growing markets in China and the region. The plant is a continuation of the strategy Bosch Automotive Aftermarket has pursued over recent years. We are expanding our value-added chain beyond sales to include the development and manufacture of products," added Hanser. The new plant is expected to reach an annual production capacity of 125 million spark plugs by 2015, as well as 80 million brake pads and 25,000 units of diagnostic equipment. "We see huge potential here in five years, when the new cars registered in recent years become older and need more after-services," said Hanser. He predicted that China's aftermarket may overtake that in the United States by 2020. Hanser told China Daily that the average age of China's car population is no more than four years now, much younger than those in other mature markets. "Statistics show that China's car population will double between 2011 and 2017, and the age of cars will also increase, with large requirements for after-services," said Hanser. Bosch has already established nearly 1,500 Bosch Car Service workshops nationwide and recently opened its first Asia-Pacific flagship workshop in Beijing.

BYD promoting electric taxis in Hong Kong

BYD Chairman Wang Chuanfu has announced a bold plan to replace 3,000 taxis running on liquefied petroleum gas (LPG) in Hong Kong with its e6 electric cars within two years. Questions remain about who will build the charging facilities and who will pay for the car – which is twice the price of the popular Toyota cab. The first batch of 45 BYD electric taxis is expected to be on the streets of Hong Kong in May. The cars will be leased to taxi firm City Motors and will operate at a loss. Wang said he expected to add 1,000 e6 taxis in Hong Kong next year, and by 2015 the number would grow to 3,000. BYD is spending up to HKD40 million to retrofit 45 charging points for this trial, but only 18 have been completed thus far, and it has not managed to sell one electric taxi yet because City Motors failed to obtain subsidies from the HKD300 million fund set up by the government two years ago to help public transport operators try out new green vehicles. City Motors' Brandon Tong said the parking fees that owners of electric cars must pay while charging their vehicles would be a big problem in the future. “Now the government or the Link Reit might waive the parking fees for the drivers because the number of cars is low, but when there are 1,000 or 3,000 cars on the road, this will change,” Tong said. BYD said fuel costs for an electric car were just HKD0.26 per kilometer, less than a third of those for an LPG taxi, but that did not take into account parking fees, which could be up to HKD30 an hour.

Chengdu auto city plans to boost output

The total output last year of the Chengdu Economic Development Zone – which is focussing on the automotive industry – reached 375,000 vehicles, 1.4 times the number the year before, creating revenue of CNY105 billion and taxes of CNY17.1 billion, surging 67.5% and 33% year-on-year respectively. In 2011 only 150,000 vehicles were produced in the zone, contributing total revenue of CNY55 billion. The auto city’s target for 2013 is to produce 600,000 units with an annual growth of 64% year-on-year. The third phase of FAW-Volkswagen’s Chengdu factory is now in full operation. Chengdu has attracted a total investment of CNY16.3 billion from FAW-Volkswagen. The annual output of FAW-Volkswagen’s factory in Chengdu also increased from 50,000 units in the beginning to 250,000 units in 2012. A few kilometers from FAW-Volkswagen’s Chengdu manufacturing base, Volvo Cars’ local facility is another important indicator of the fast development of Chengdu’s auto industry. In 2011, Volvo Cars China Group announced it would build its first localized plant in Chengdu, following Chinese homegrown automaker Zhejiang Geely Holding Group’s takeover of the Swedish luxury brand. The first Volvo model produced in Chengdu has been sent to Europe for testing, and will be ready for mass production this year. There are currently 10 vehicle manufacturing factories and seven engine plants located in Chengdu. Another four factories are about to be completed and put into production within the year. In February 2012, parts supplier Robert Bosch laid the foundation in Chengdu for its chassis manufacturing plant, while Delphi Corp, Bosch’s main competitor, is expected to start its business in Chengdu soon. Bosch (China) Investment also set up two production facilities for packaging technology and power tools in Chengdu, as well as its call center. From 2016 to 2020, the Chengdu Economic Development Zone plans to promote a new-energy auto industry, an auto electronics industry and an auto service industry while further expanding the scale of its whole vehicle manufacturing industry. By then, the zone plans to manufacture 1.25 million vehicles a year, as well as generate a revenue of CNY900 billion, the China Daily reports.

Short news

- Kenda, which set up its first facility on the mainland in 1990, planned to spend NTD10 billion on a new car-tyre plant in Taiwan’s Changhua where the company was based. Chairman Yang, whose 6.6% stake was valued at NTD2.4 billion, built three factories across the strait in Shenzhen and Tianjin and hired more than 4,000 workers on the mainland since he took over from his father almost two decades ago. Rises in labor costs on the mainland now drives the company to set up its next plant in Taiwan.
- Shanghai will build 50 charging stations and 5,000 charging poles in the next three years to meet the needs of local electric vehicle buyers, according to Feng Jun, General Manager of the Shanghai Electric Power Co. Shanghai was named the country’s first pilot city for electric vehicle development in April 2011. The city government has built 12 charging stations and 890 refueling poles mainly in suburban Songjiang and Minhang districts.
- Nissan Motor Co may build Leaf electric vehicles in Guangdong. Nissan’s Chinese joint venture with Dongfeng Motor Group Co may invest CNY2 billion in the project. The plan calls for an initial capacity of 10,000 Leaf vehicles a year and 50,000 after 2015 – comparable to Nissan’s UK and Japan plants.
- Volkswagen plans to increase production by 60% by 2018 in China, where the German company’s earnings last year rose by almost half. A new plant in China, just approved by the supervisory board, will be designed to build up to 300,000 vehicles a

year and will start operating in early 2016, CEO Martin Winterkorn said. Production capacity in China will rise to 4 million vehicles a year by 2018 from about 2.5 million now. VW plans to build 7 new plants to bring its total in China to 19. VW will open three vehicle plants this year in Urumqi, Xinjiang; Foshan, Guangdong province; and in Ningbo, Zhejiang province.

- The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said that its research has confirmed that some of Volkswagen's direct shift gearbox (DSG) transmissions have defects that may cause engine power failure and has called on the car manufacturer to recall affected cars. VW said it would conduct a voluntary recall of more than 380,000 cars. In May, the company extended the warranty for the gearbox to 10 years or 160,000 kilometers, but the move didn't restore consumer confidence. It will replace electronic components and upgrade software at a cost of between CNY3,000 and CNY10,000 per vehicle.
- A second-hand Shanghai car plate will not be allowed to trade at a price higher than the latest average price for new car plates, city officials announced. "The prices of second-hand plates and new plates... push each other higher as bidders tend to refer to the price of second-hand plates as the benchmark for bidding on a new car plate," the Shanghai Information Office said in a statement. The new measure took effect on March 23, when the city held its monthly auction. The city's revenue for plate auctions hit CNY7.12 billion in 2012, an increase of 51.8% from 2011. The average successful bid for a Shanghai car plate soared to CNY91,898 in the March auction – up CNY8,327 from February.
- Audi plans to open one new dealership a week on average in China in 2013, Chairman of the Board of Management Rupert Stadler said at the company's annual press conference, adding that about half of the Chinese cities with more than a million inhabitants still have to be included in the dealer network.
- Shanghai General Motors is recalling 5,008 Buick LaCrosse sedans made between July 13 and March 8, and 736 imported Cadillac SRX cars made from July 11 to February 18, due to a potential problem with the gear information transfer, the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said. The firm said the gear information transfer hitch may lead to a drop in the engine's braking efficiency.
- China will increase its subsidies for energy-saving cars and vehicles that run on alternative fuel sources this year, Minister of Industry and Information Technology Miao Wei said. The country will introduce a ranking system that measures the amount of energy that a given car is capable of saving. Vehicles with higher efficiency will receive more subsidies. In 2012, sales of new-energy cars totaled 12,791 units, almost double the number in 2011, and the number is expected to total 500,000 units by the end of 2015.
- Toyota's joint venture with Chinese partner FAW Group unveiled a new brand of electric vehicles called Ranz. The first concept model, carrying FAWToyota's self-developed brand, is based on the platform of the Toyota Corolla Ex and will make its debut at the Shanghai auto show this month.
- Domestic carmaker Geely reported a 23% increase in sales in the first two months of this year to 95,000 vehicles. Of the total, more than 15,200 vehicles were exports, a 38% rise from a year earlier.
- FAW Group President Xu Jianyi said the company will invest CNY7.2 billion in research and development (R&D) of its own brands of vehicles this year. He also said that the company's combined R&D investment from 2011 to 2015 will total CNY35.5 billion, and nearly a third of that will go toward developing the Hongqi family of vehicles.
- Volvo Car has won the approval of the National Development and Reform Commission (NDRC) to begin making vehicles in China. It paves the way for Geely, owner of Volvo Car, to offer Volvo cars at cheaper prices because vehicles made in China aren't subject to the nation's 25% import duty. Volvo's sales in China rose 31% to 8,719 units in the first two months of the year, surpassing Sweden to become the carmaker's second-largest market, behind only the U.S. Volvo sells seven models in China, ranging from the C30 at CNY249,900 to the C70 sedan at CNY661,000.
- Shanghai hopes to be a forerunner in China in promoting electric cars for private use by renting them out. eHi Auto Services Co plans to buy 200 electric cars in the next six

months and is opening three electric car rental stores in Jiading district where the Electric Vehicle International Demonstration Zone is located, and would then expand the service across the city by developing charging facilities.

- Swedish auto maker Volvo has uncovered widespread cheating by its car dealers in China, where retailers inflated sales to win cash rebates from the company for reaching volume targets. Thousands of fake sales were booked in 2011, as well as under-reporting of sales last year to make the books balance. That meant it actually performed better last year than it had thought, according to a senior Volvo Executive. Volvo had reported an 11% slide in last year sales in China, but sales actually rose by 15%. About 7,000 of Volvo's reported retail sales of 47,140 cars in 2011 were fake, meaning Volvo dealers in 2011 collectively sold only 39,871 cars in China.
- BYD's 2012 profit sank 94.12% year-on-year in 2012 amid a bleak solar market, but the company forecast robust profit for the first quarter of this year. The Shenzhen-based company specializing in electric vehicles, rechargeable batteries and photovoltaic cells earned CNY81.38 million in net profit in 2012. The company attributed last year's contraction in profit to its lackluster solar energy business. Its revenue from selling both electric and fossil fuel-powered vehicles rose steadily in 2012.
- Guangdong plans to spend CNY57.3 billion over the next 10 years to lead the country in producing new-energy vehicles, but will still fall far short of the sales target. Despite support from carmakers such as BYD and Dongfeng-Nissan, its expected sales of electric vehicles and plug-in hybrid cars will reach only a tenth of the government's target of 500,000 units by 2015.
- Dongfeng Motor Group will not pursue a bid for a stake in troubled U.S. electric car startup Fisker Automotive because it would be too difficult to move production to China as the company received a USD529 million loan to produce cars in the U.S., according to three sources familiar with the matter. Dongfeng's decision comes shortly after another Chinese auto maker, Zhejiang Geely Holding Group, also decided not to bid for Fisker.
- Political friction between China and Japan delayed by one year Nissan's plan to get a 10% market share in China, Renault-Nissan Chief Executive Carlos Ghosn said on the sidelines of the New York auto show. He said he is giving his Nissan team until 2017 to hit its goal, instead of 2016. Nissan accounts for between 6.5% and 7% market share in China, and is the leading Japanese automaker there.
- Net profit at Brilliance China Automotive Holdings jumped 27% in 2012 to CNY2.3 billion as the contribution from its joint venture with BMW helped drive sales. Deliveries of BMW-branded cars on the Chinese mainland climbed 40% to 303,169 vehicles, which included 3- and 5-series sedans and X1 SUVs assembled by Brilliance.
- Dongfeng Motor expects sales of cars from its Japanese partner Nissan to resume growth in April, but set a modest sales growth target of 7%, or 2.35 million vehicles, this year. Dongfeng Motor's net profit fell 13.3% last year to CNY9.09 billion, while the gross profit margin dropped 1.2 percentage points to 20.8%. A sharp fall in its commercial vehicle sector contributed to the decline in profitability, although the group said its new partnership with Volvo Truck should soon create new momentum.
- SAIC Motor Corp's net income increased 2.6% to CNY20.8 billion last year. Sales gained 10% to CNY478.4 billion, missing estimates. Partner GM, the biggest foreign automaker in China, saw profit in the country fall 0.2% in 2012, after 14% growth the previous year.
- Toyota Motor Corp suffered a 12.7% drop in sales in the first quarter from the same period a year ago. Its China sales in March fell by 11.7% to 75,900 vehicles, bringing its January-March sales to 184,700 vehicles, down 12.7% from a year earlier. Toyota's lackluster performance has ignited renewed concerns about the recovery of Japanese carmakers in China. Nissan, whose sales exposure to China is the biggest among the three largest Japanese car makers, cut output by 52.3%, Toyota by 48.3% and Honda by 43.4%.
- For the second year in a row, China will be the biggest market for Jaguar Land Rover in 2013, the company's CEO Ralf Speth said. The luxury car maker delivered about 73,000 vehicles in China last year. Sales in January and February increased by 20% from a year earlier. In contrast, its sales surged by 70% year-to-year last year during

the same period. The carmaker is likely to launch some of its latest attractive products in China this year, including the next generation Range Rover Sport and the high-performance Jaguar XJR.

- Japanese automaker Subaru will recall 9,641 vehicles exported to China because of defects in the brake lines. The company has decided to recall its imported Legacy and Outback models produced between January 28, 2004 and May 21, 2009, according to the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ). There is a risk that the brake lines may corrode if they come into contact with water containing a snow-melting agent, making it more difficult for the vehicles to stop.

METALS

Baosteel expects slow growth in steel demand

Baosteel, China's largest listed steel company, gave a subdued outlook for steel demand in China this year, forecasting demand growth of only 3%. "We have entered a period of stability," said He Wenbo, Chief Executive of Shanghai-based Baosteel, referring to steel demand. "Compared with last year, this year will not be any worse. But the steel industry had become used to rapid growth, so now that it slows down, it will take some time to get used to that." If the 3% expansion materializes, it will be the second year in a row of slow growth for China's steel industry, which produces nearly half of the steel in the world and accounts for 60% of seaborne trade in iron ore. He said he had been telling Baosteel's suppliers, including BHP, Rio and Vale, that they should prepare for a "big fall" in iron ore prices in several years' time, as the high iron ore price is unsustainable. He Wenbo also revealed that Baosteel plans to settle more of its iron ore trade in renminbi instead of dollars. Baosteel was one of the first Chinese firms to use the renminbi to settle purchases of iron ore overseas, mostly through Hong Kong and Singapore. Baosteel does not yet use the renminbi to pay for iron ore from Australia or Brazil, the Financial Times reports.

Zhongwang posts 63.5% profit rise

China Zhongwang Holdings posted a 63.5% jump in net earnings. The Liaoning province-based firm, which claims to be the world's second largest maker of industrial aluminum extrusions, said net profit for last year was CNY1.81 billion, up from CNY1.1 billion in 2011. Sales grew 31% to CNY13.5 billion. The gross profit margin rose to 24.1% from 21.6%. Vice President Lu Changqing said this reflected higher processing fees, due to an increased focus on more lucrative "deep processing" to produce semi-finished or finished products, including electric vehicle and railway car bodies and parts. Stripping out non-recurring income – mainly CNY211.7 million of government subsidies – pre-tax income grew 53%. The subsidies were provided by local governments in three cities in which the firm built production facilities, and to subsidize research and development (R&D). Chief Financial Officer Vincent Cheung said the subsidies are discretionary and any further subsidies will depend on the firm's "actual development". The company increased its stocks in the belief that the aluminum price has bottomed.

MOFCOM to seek guaranteed copper supply from Glencore

China's Ministry of Commerce (MOFCOM) is seeking a guarantee on copper supply from Glencore before eventually agreeing to the takeover by Glencore of fellow Anglo-Swiss concern Xstrata. China, the biggest buyer of the materials that Glencore trades and mines, must give the go-ahead before the company can tie up its USD35 billion acquisition of Xstrata, the largest ever deal in the sector. Glencore said that the Ministry was focusing its attention on copper concentrate, the intermediate product that feeds smelters and refineries. As a condition to agree to the merger, MOFCOM could impose conditions to secure copper supply. Traders and analysts suggest Glencore has a share ranging from below 10% up to 14% of China's concentrate imports, which should not change dramatically, as it already markets much of Xstrata's metal. Citigroup estimates that home production accounts for 73% of copper consumed on the mainland, up from 57% in 2004, and that may rise. Nic Brown at Natixis in London, said China "has been a big importer of refined products, but there is a shift going on towards producing more of the refined copper at home. So you can see why they are not simply looking at the current numbers, but at the prospective numbers," the South China Morning Post reports. Glencore has extended to May 2 its deadline to conclude the deal.

New anti-pollution rules won't solve steel overcapacity

New rules aimed at making China's steel sector greener will do little to tackle rampant overcapacity. China's Ministry of Environmental Protection (MEP) has said it will impose "special emissions restrictions" in April on major industries from steel and petrochemicals to cement, non-ferrous metals and coal-fired power. Environmental inspections have already started in big steel producing regions. Many in the industry hope the curbs will help tackle overproduction, slash the number of privately-owned mills and boost the market share of state-owned giants such as Baoshan Iron and Steel (Baosteel), Wuhan Iron and Steel and Angang Steel. "If we are to solve the emissions problem more effectively, reducing capacity is a part of it," said He Wenbo, Baosteel's Chairman. He added that the implementation of environmental standards would help create a level playing field. Big mills have seen their profits eaten into by smaller rivals, and the government has sought to boost the giants' competitive position by raising industry standards and thresholds. It wants its top 10 mills to control 60% of total capacity by 2015, up from around half now, and is likely to use "administrative measures" like pollution and resource-use standards to meet that goal. Some analysts suggest that big mills could suffer just as much from the new environmental rules as smaller ones. "Currently, many of the big steel mills also fail to meet environmental standards," said Cheng Xubao, Analyst at Custeel, an industry consultancy. Steel is one of the biggest polluters, largely due to the use of coking coal in the production process. China's total crude steel output of 716 million tons last year would have required the combustion of some 430 million tons of coke. Industry insiders say that thanks to dust extractors, de-sulphurising "scrubbers" and protective screens, steel had essentially become a "green industry". "The operating conditions of the whole steel sector are very tough," said Jiang Feitao, Steel Policy Researcher at the China Academy of Social Sciences (CASS). However, many mills turn off their equipment when there are no inspections. Local governments are reluctant to strictly enforce the rules in a sector that provides thousands of jobs and millions of yuan in tax revenues. On a purely economic basis, small and private firms have performed best under tough conditions over the last two years. It is likely they are also better placed to survive any hike in environmental costs, the South China Morning Post reports.

China's bloated steel sector is facing a wave of closures in the next few years, with slowing demand and decades of "blind" expansion finally about to catch up with the industry, according to Zhang Wuzong, Chairman of privately-owned Shandong Shiheng Special Steel and a 40-year industry veteran. No steel firm would be immune, with the future of loss-making state-owned mills also at risk, Zhang said. "The Chinese market is oversupplied. The government knows it, and we know it. 'Survival of the fittest' is the only way to solve the problems. It will take time, but I believe a lot of the backward private enterprises will be closed. There will be some state-owned enterprises that will be eliminated, too, including some of the big ones. This is a certainty," Zhang said. The government has blamed smaller players for eroding the margins and market share of giant firms, and its policies have been designed to encourage the big firms to swallow up smaller rivals, but many private steel mills remain far more profitable than their state counterparts and are resisting attempts to close them down. China has at least 900 million tons of crude steel production capacity, far higher than its official total output of 716 million tons last year. Profits in the sector fell 98% last year, with many firms suffering losses.

Jiangxi Copper to diversify in rare earths

Jiangxi Copper Corp (JCC), China's largest copper producer, is seeking further investments and looking to expand into other resources such as rare earths, in a bid to become one of the world's top five mining groups within 10 to 15 years. "We would like to further our investment in the securities and banking sector, in particular, to support that goal," said Chairman Li Baomin, who was appointed on March 4. He said the company is ranked 24th globally, taking into consideration sales revenue, profits and market value. It is currently the second-largest shareholder in Bank of Nanchang, a local bank in Jiangxi province, and has also invested CNY1 billion in establishing an international trade company in Shanghai, which, according to Li, has already made CNY300 million in profits in the last two years. "If the conditions are right, we would like to make breakthroughs into other sectors such as lead-zinc and rare earths, and to nurture one or two more listed companies," Li said. JCC was listed in Hong Kong in 1997 and in Shanghai in 2001. In June 2008 it bought the country's second-largest rare earths mine in Mianning, Sichuan province, for CNY430 million, which has verified reserves of nearly 2 million metric tons. "The building of our rare earth mine in Sichuan is making orderly progress, but when it starts operation depends on the speed of various procedural issues," Li said, adding that it isn't likely to start operation this year. Once the mine is up and running it will make JCC one of the major players in China's rare earths industry, along with Baogang Group from Inner Mongolia and China Minmetals Corp. China’s copper consumption has grown from 1.9 million tons in 2000 to 7.8 million tons in 2012, accounting for 40% of the world’s total. But more than 70% of domestic consumption still relies on imports, Li said, and he called for more government support for Chinese mining enterprises to acquire overseas resources to boost domestic supply. Li said copper demand in China is likely to grow another 9% to 10%, driving up the price. Still, most of China’s copper enterprises are barely breaking even.

BHP alleged to have bribed Chinese officials to win Beijing Olympics sponsorship

BHP Billiton, which supplied the materials for gold, silver and bronze medals at the Beijing 2008 Olympic Games, allegedly provided inducements, hospitality and gifts to Chinese and other foreign officials. The U.S. government is investigating the company for possible corrupt practices. Australian police confirmed they had been working with foreign counterparts and local regulators on Australian aspects of the U.S. investigation, without providing further details. BHP said it had been cooperating with “relevant authorities” and said it believed it had complied with all applicable laws in regards to its Olympics sponsorship. Between 2000 and 2008, BHP spent millions of dollars on a major Olympics sponsorship deal and hospitality package which according to a former China staffer involved more than 170 VIPs, including senior government officials and Chinese steel and mineral company CEOs. Unlike most major consumer-focused sponsors, BHP’s involvement at the 2008 Beijing Olympics was targeted mostly at its close circle of Chinese buyers and employees. Fairfax Media said the officials BHP entertained included junior executives from China’s biggest listed steelmaker, Baosteel.

China Silver Group plans 60% rise in ingot production

China Silver Group is planning to expand annual production capacity of silver ingots 60% to 400 tons by the end of this year, from a current 250 tons a year. The company's Chief Financial Officer, Matthew Moy, said: “Silver is a special kind of commodity. There will be customers buying it as long as you can produce it.” He said the company would be able to produce, and thus sell, more than 300 tons of silver ingots in 2013. It sold 211 tons of silver ingots in the last year. The refiner plans to continue to increase its production capacity to 550 tons a year by 2014, and to 650 tons the following year. It is also looking for merger and acquisition opportunities that could secure raw materials to increase production. China Silver reported a rise of 56.5% in revenue to CNY1.54 billion in 2012, thanks to big increases in sales of silver ingots, which accounted for three quarters of total revenue. Net profit rose 36.7% to CNY158 million last year from CNY115 million. Net profit margins fell to 10.2% from 11.7% in 2011. China Silver, which went public in Hong Kong in December, said the drop was due to one-off listing expenses. The adjusted net profit margin was 11.9%.

Tangsteel acquires 10% stake in Duferco

Tangshan Iron and Steel Group Co has acquired a 10% stake in Switzerland’s Duferco International Trade Holding (DITH), the world’s biggest steel trader, in a move to further expand its overseas market. The two companies also signed a steel products structural payment agreement worth USD1.2 billion, which will help the Chinese steel producer to sell its products abroad. Yu Yong, President of Tangsteel, said the cooperation will help provide Tangsteel with better financial services, and access to resources and markets. Over the past year, Duferco’s steel trade volume was more than 16 million metric tons, approximately equal to the total output of Heibei Iron and Steel Group, China’s largest steel company. Through its distribution channels, steel products were sold to 28,000 end customers in European, North American and South American markets. Matthew De Morgan, Duferco’s CEO, said: “We will help Tangsteel improve its technology and introduce its steel products to other international markets besides Asia. The two companies started cooperation in 2009, when Tangsteel exported 67,000 tons of steel products to Duferco, and that had grown to 1 million tons last year. Over the past year, the Chinese steel industry has been suffering from overcapacity and rising raw material costs. As a result, some steel producers such as Tangsteel have been increasing their efforts at exploring overseas markets. Yu predicted that Tangsteel will export 3 million tons of steel products this year and 4 million tons in 2014. “By the end of 2015, Tangsteel will reach a stable annual export volume of 5 million tons,” he added, as reported by the China Daily.

Shanghai port becomes pricing center, launching “Yangshan price”

Shanghai started publishing the Yangshan price, named after the city’s bonded port, for commodities such as copper. The first Yangshan price launched was the U.S. dollar-denominated Yangshan Copper Premium to the London Metal Exchange copper settlement. “The launch of the Yangshan price will help turn Yangshan from a pure sea port to a resource-allocation and pricing center, repeating the success of Rotterdam and London,” said Wang Xinling, Vice Director of the Shanghai Free Trade Zones Administration. He added the Yangshan price may evolve into a financial derivative in the future. The Administration oversees the Waigaoqiao and Pudong International Airport free trade zones. Yangshan free trade port, together with Waigaoqiao and Pudong airport took up a third of China’s total copper imports last year. The Yangshan free trade zone could hold 1.7 million tons of nonferrous metals in a total bonded storage area of 200,000 square meters.

Zhaojin to boost gold resources by 18.8%

Zhaojin Mining Industry plans to spend CNY1.25 billion this year on exploration and mine acquisitions, aiming to boost resources by 18.8%. Shandong province's biggest gold miner had budgeted CNY1 billion for acquisitions to bring in 50 tons of resources, said Chairman Lu Dongshang. It has also set aside CNY250 million for exploration that it hopes will add 80 tons of new resources. It had 690 tons of resources, of which 355.8 tons proved recoverable reserves at the end of last year. All of its assets are in China, except for the 8.95% stake in Australia-listed Norseman Gold it bought in August. Zhaojin has spent around CNY2.4 billion since May 2011 buying 11 exploration and mining assets. The firm posted a 15.8% rise in net profit to CNY1.92 billion for last year. Revenues jumped 32.4% to CNY7.6 billion on the back of a 13.5% rise in mine-produced gold to 18.1 tons and a 25.5% rise in output from smelting and processing of gold mined by other firms to 9.6 tons. The average gold price on the Shanghai Gold Exchange rose 3.75% last year from 2011. Total production cost per ton was flat year-on-year at USD611.4 an ounce. The international gold price averaged USD1,669 an ounce last year.

Angang Steel in danger of de-listing following loss

Angang Steel Co was assigned an ST tag on the Shenzhen Stock Exchange after posting losses for two years in a row. Angang Steel, a Liaoning-based steel maker, reported a CNY4.16 billion loss in 2012, compared with a CNY2.1 billion loss the previous year. It risks being delisted if it fails to return to profit this year. Ge Xin, Analyst from Beijing Lange Steel Information Research Center, said that the company’s losses have a lot to do with its product line. “Nine out of 10 steel products made by Angang are high value-added steel plate products, but their prices have slipped by more than CNY4,000 per ton from the peak of CNY6,000 per ton in 2008,” said Ge. “As the company’s product line keeps expanding, its own iron ore mines are not enough to meet its production demands, and it’s also slower than private steel makers in finding new iron ore resources,” said Ge. Angang was one of the first state companies established after the establishment of the People’s Republic of China in 1949. However, its long history also means a huge burden in terms of pensions and rising labor costs, according to Qiu Yuecheng, Analyst from e-commerce platform 96369.net. “Angang’s labor costs are about CNY150 per ton, while those of privately-owned Shagang Group in Jiangsu province are merely CNY50 per ton,” Qiu said. Zeng Jiesheng, Analyst from steel industry consultancy Mysteel.com, said it would take several years for the steel industry to recover from the current plight of low demand, disorder in competition and overcapacity, the China Daily reports.

Listed steel companies report losses

As of April 1, 16 out of the 56 listed steel companies had released their results for 2012, showing aggregated losses of CNY4.3 billion, despite a recovery in fourth-quarter demand. Angang Steel Co led loss-making companies by booking a CNY4.16 billion loss for 2012. Shandong Iron and Steel Co reported a net loss of CNY3.8 billion for 2012, while the Anhui-based Magang (Group) Holding Co saw a CNY3.86 billion loss due to slumping downstream demand and soaring operating costs. Analysts have a bearish outlook for domestic steelmakers in 2013, as overcapacity and weak downstream demand are not expected to ease off in the short term. The country’s 80 major steel companies posted CNY1.58 billion in profits in 2012, down 98.2% year-on-year. The inventories of the 80 major steel companies have reached a peak of 14.5 million tons, according to data from the China Iron and Steel Association (CISA). “Chinese steel mills are able to produce 950 million tons of steel products annually, but their output last year was 717 million tons, which means a lot of capacity is staying idle. Once prices start to pick up, steel mills will compete fiercely. As a result, steel prices have less room to rise," said Wang Guoqing, Senior Analyst at the Beijing Lange Steel Information Research Center. Zeng Jiesheng, Analyst at Mysteel.com, said it will take several years for the industry to recover from the current plight of low demand, disorder in competition and overcapacity.

Short news

- Aluminum production in China climbed to a record in January on capacity additions. Production was 1.78 million metric tons, exceeding the previous record of 1.75 million tons in August, said Zhang Chenguang, Analyst at SMM Information & Technology Co.
- China is likely to limit its gold holdings to 2% of its total foreign exchange reserves, said Yi Gang, Deputy Governor of the People's Bank of China (PBOC). The central bank last made known changes to its gold reserves in 2009, announcing that it held 1,054 metric tons, about 1.8% of its total reserves. The bank hasn't made any revisions since then. "If the Chinese government were to buy too much gold, gold prices would surge, a scenario that will hurt Chinese consumers," Yi said.
- Baoshan Iron and Steel Co aims to double its overseas sales to offset severe domestic overcapacity. The company aims to raise overseas revenue from 10% to 20% by 2018. It plans to set up a joint venture in Southeast Asia or South America. The goal could also be achieved through mergers and acquisitions, as well as green field investment.
- The National Development and Reform Commission (NDRC) said China is expected to produce 746 million metric tons of crude steel in 2013, 30 million tons more than last year, resulting in new iron ore demand of 50 million tons. China's domestic new iron ore capacity is expected to reach 20 million tons this year, while the world's top three international iron ore producers are expected to have a total new iron ore production capacity of around 100 million tons in 2013.
- Aluminum Corporation of China (Chalco) posted its worst results since going public in 2001, chalking up a net loss of CNY8.23 billion for last year, much more than the average loss estimated by 21 analysts polled by Thomson Reuters. Chalco, the country's largest producer of aluminum, blamed the loss on a 7% fall in the average selling price of the metal, which led to a CNY6.6 billion reduction in gross profit.
- Fujian province-based Zijin Mining aims to complete one or two acquisitions this year and warned that the unit production cost at its mainstay gold mine will continue to rise owing to the deteriorating grade of ore. Zijin posted an 8.8% drop in net profit to CNY5.21 billion, as revenue jumped 21.7%, mainly on higher output of refined copper. Although revenue from mine-produced gold grew 19% on the back of a 15.5% rise in sales to 33.16 tons and a 3% rise in the average selling price, the gross profit margin slid to 63% from 72.8%, due to a 39.7% jump in production costs to CNY120.8 per gram. Zijin plans to raise mine-produced gold by 2.9% to 33 tons this year, and mine-produced copper output by 9.9% to 115,000 tons.
- A list of 45 Chinese steel enterprises that meet national iron and steel industrial standards was published by the Ministry of Industry and Information Technology (MIIT) in the latest move to tackle excess production capacity that has plagued the sector. The 45 qualified steelmakers include 30 state-owned enterprises like Baosteel and Angang Steel, and 15 private companies, whose combined crude steel output last year reached 300 million tons, or 41.4% of the country's total steel output. Another 59 steel enterprises didn't make the list.

MINERALS

Dalian Commodity Exchange launches coking coal futures

The Dalian Commodity Exchange started trading in the world's first coking coal futures contract. China has become the world's largest coking coal producer and consumer. Imports of coking coal takes up about 10% of the country's total consumption. It imported 20 million metric tons of coking coal in 2010, dropping to 13 million tons in 2011 because of soaring international prices. China produced 155 million tons of coking coal in 2011, and consumed about 170 million tons. The new trading platform will help narrow the price gap between imported and domestic coking coal." The China Securities Regulatory commission (CSRC) said the contract will help steel companies and coal and coke producers to hedge price risks of raw materials. Jiang Zhimin, Vice President of the China National Coal Association, said the contract will lead to a more reasonable pricing mechanism for coking coal and help prevent price fluctuations. The Dalian Commodity Exchange in Liaoning province started trading the world's first metallurgical coke futures last year. However, analysts said that even though it was a good idea to connect whole industrial chains – coal, coke and steel – the exchange still faces a challenge to increase trading volumes. "Coking and coal chemical companies have not shown much interest in the new contract so far," said Dai Bing, Director of the Coal Industry Information Department at JYD Online Corp, a Beijing-based bulk commodity consultancy. Xiang Hongjin, Sinochem Division Manager at Guan Tong Futures Co, said it takes time for companies to accept new contracts coming to the market. She said the exchange had had a relatively big trading volume on the first day of about 730,000 tons, but expected that to remain weak in the medium to long term, the China Daily reports.

Shenhua and Yangzhou expecting declining coal sales

Mining majors China Shenhua Energy and Yanzhou Coal Mining are looking at flat or declining sales volumes this year, as falling coal prices see them cut procurement from third parties to make room for sales from their own mines. China Shenhua said it aimed to sell 464.6 million tons of coal this year, the same as last year. Marketable coal output was planned to grow 3.6% to 315 million tons. Its procurement of third-party coal will fall 6.8% to 149.6 million tons. Yanzhou Coal is targeting sales of 89.9 million tons, 4.6% less than last year, while the target for marketable coal output is a rise of 5% to 64.85 million tons. This implies a 22.9% drop in third-party purchases to 25 million tons, after a 50% jump last year. Chairman Li Weimin said: "We raised third-party purchases a lot last year to grab market share, and to prepare for a substantial output ramp-up at our own mines. The lower purchase volume this year is based on market conditions." Coal prices at the port of Qinhuangdao port dropped 22% over the course of last year as coal production rose. This coincided with flat coal-fired power output, because of a marked slow-down in demand from the industrial sector and a sharp rise in hydro power output thanks to high rainfall. Yanzhou Coal's President Zhang Yingmin said he expected this year's average coal price to be lower than last year's. Listed power generators projected a 5% fall. China Shenhua's Chairman Zhang Xiwu said that to offset the impact from a weaker coal price, the company was seeking to keep this year's rise in production costs to less than 10%, after a 9.7% increase last year. Li said Yanzhou was looking to keep costs at its largest producing base in Shandong flat from last year, while slashing costs at its Australian unit by 15%. Yanzhou plans to raise spending this year to boost production capacity by 81% to CNY12 billion, while China Shenhua plans to increase its spending by 33% to CNY674.5 billion, the South China Morning Post reports.

Railroad planned to transport coking coal to Xinjiang

Kyrgyzstan is aiming to become a major coking coal supplier to Xinjiang, but the goal will only be realized if a railway is built to allow low-cost transport of bulk commodities. State-owned China Road and Bridge Corp was completing a feasibility study on a railway that would link China's far-western rail terminus at Kashgar in Xinjiang to the Kyrgyz-Uzbek border town of Kara-Suu, said Kyrgyzstan's Economy Minister Temir Sariev. He said one proposed route of 300 kilometers would traverse rugged terrain and cost about USD2.5 billion, while a 390-km alternative would cross valleys and villages and cost over USD4 billion. The project may be financed by a consortium of state companies from China, Kyrgyzstan and Uzbekistan, or it may be entirely funded and built by China Road and Bridge before being handed over to Kyrgyzstan for operation. Sariev said the second option was the more likely scenario, and the route would be closer to proposed coal and iron ore mine sites and hence more beneficial to Kyrgyzstan's economy. Construction would take three to four years. He said the proposed line would make mining of much of Kyrgyzstan's minerals economically feasible, and together with freer intra-regional trade, could raise the annual trade volume between China and Kyrgyzstan – estimated at some USD10 billion – by 30% to 40%. Sariev said the proposed railway had a capacity to move 15 million tons of bulk commodities a year, and that much of it could be used by Australian-listed Celsius Coal, which has a coking coal project in Kyrgyzstan. Celsius Chairman Alex Molyneux said the firm planned to begin mining coking coal on a commercial scale in 2015, with annual output of 1 to 2 million tons. It would be trucked to Xinjiang, where annual steel output was projected to rise to 35 million tons in 2015 from 12 million tons last year, he said, adding that although Xinjiang is coal-rich, it lacks high-quality coking coal used in steel-smelting. Existing supply comes mainly from distant Shanxi province. If the proposed railway is completed in late 2016, Celsius plans to expand the mine's output to between 5 and 8 million tons a year from 2017, the South China Morning Post reports.

Short news

- Greenland may award one of its biggest mining exploitation licenses this summer, a USD2.3 billion project by UK-based London Mining that will supply China with around 15 million tons of iron ore a year. But while Greenland has approved about 140 exploration licenses, not one mining project has secured financing. About 2,000 Chinese workers may be flown in for the construction of the London Mining project if it goes ahead.
- Mongolia-focused coal miner SouthGobi Resources posted a loss for last year of USD103 million as Ulan Bator forced it to suspend its only producing mine in response to a takeover bid from China's state-owned Chalco. But SouthGobi, which is now controlled by Rio Tinto, has resumed operation at its flagship Ovoot Tolgoi mine and aims to produce 3.2 million tons of semi-soft coking coal this year.
- A landslide at a Tibetan mine in the vicinity of Lhasa buried 83 miners. Copper, some gold and silver are mined at the facility, the largest investment project of the Tibet Huatailong Mining Development Co, a subsidiary of the China National Gold Group. The corporation was the first state enterprise to develop a mine in the Tibetan region. Production began in 2010. China Gold International Resources is under pressure as the mine may be temporarily closed. 66 bodies have been recovered so far.
- Anhui Foreign Economic Construction Group of China and the Democratic Republic of Congo created a joint venture to mine diamonds in Eastern Kasai province and plan to take the company public. The 50-50 venture between Anhui and the central African country may produce 6 million carats a year by 2016. Anhui Group, based in Hefei, will pay USD4.2 million for its half, plus a signing bonus of as much as USD61 million, and invest an estimated USD100 million in infrastructure.
- Metallurgical Corporation of China (MCC) has written off CNY3 billion on its much-delayed Sino Iron project in Western Australia, which recently went over budget for the fourth time. MCC is obliged to compensate Citic Pacific USD5.1 million per day for the delay in construction, which would translate to USD530 million in total. The construction contractor veered to a CNY6.95 billion loss last year from a CNY4.24 billion profit in 2011, mainly due to write-offs on its Cape Lambert iron ore project in Australia, Huludao nonferrous project in Liaoning province and Sino Iron.
- All coal mines in Jilin province were ordered to halt production after two gas blasts in four days killed 36 people. An explosion at Babao Coal Mine in Baishan's Jiangyuan district killed 29 miners and rescue workers and left 13 injured. A second blast occurred a few days later when rescuers entered the mine to extinguish a fire. That blast killed seven more rescuers and left another eight injured. Ten remain missing. Jilin authorities decided to suspend operations at all coal mines for safety checks.

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