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**INDUSTRY SNAPSHOTS; ASIA - CHINA –
AUTOMOTIVE**

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Industry Snapshot

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LATEST COMPANY NEWS

News and Commentary

TD

Mazda 6 earns top safety ratings world wide - 10/3/2014

Potential buyers worldwide take independent new car safety reviews very seriously these days and Mazda claims its latest 6 [Atenza in Japan and China] is now officially one of the safest cars.

For the complete story, see:

(
http://www.just-auto.com/news/mazda-6-earns-top-safety-ratings-world-wide_id143755.aspx)

Car Trade - Tata Motors mulls forming pact with Chery Automobiles - 10/3/2014

Tata Motors evaluating options to form a pact with Chinese auto manufacturer, Chery Automobiles for platform sharing and foraying into Chinese auto market.

For the complete story, see:

(
<http://www.cartrade.com/car-bike-news/rumour-tata-motors-mulls-forming-pact-with-chery-automobiles-123302.html>)

Reuters - Super Group buys into Great Wall's S.Africa auto business - 10/3/2014

South African logistics company Super Group, has bought a majority stake in Chinese-backed Great Wall Motors

For the complete story, see:

(
<http://in.reuters.com/article/2014/03/10/safrica-gwm-idINL6N0M71CF20140310>)

Just Auto - Mitsubishi targets more markets for new Triton - 10/3/2014

Mitsubishi Motors will launch the new version of its Thai built Triton pickup truck in a range of emerging markets in fiscal year 2014, with a particular focus on Thailand.

For the complete story, see:

(
http://www.just-auto.com/news/mitsubishi-targets-more-markets-for-new-triton_id143799.aspx)

Independent - Daimler-Benz is motoring in the right direction - 10/3/2014

The **company** under our spotlight today, Daimler-Benz AG, also comes under the heading of 'luxury brand', which is yet another word to get the investor juices flowing.

For the complete story, see:

(
<http://www.independent.ie/business/world/daimlerbenz-is-motoring-in-the-right-direction-30076960.html>)

Media Releases

JAC S5 Passed C-NCAP Five Star Evaluation Successfully - 7/1/2014

In the morning of 3rd January 2014, Tianjin **Chinese** Testing Center published the test results of

2013 C-NCAP (**China**-New Car Assessment Program) , JAC S5 passed the C-NCAP five star evaluation successfully. C-NCAP (including front, offset, side three crash tests and whip test) is organized by authorized institutions and industry organizations that carry out the more stringent crashing test to new cars.

Though evaluation the passengers' degrees of hurting under a more serious crashing environment, it classified the testing car's safety level according to hurting degrees of head, chest, legs and other main body parts. There is a completed test and evaluative method to rate the stars and to provide the accurate information of safety performance.

The five star of C-NCAP reflects JAC putting the customers in the first place and respecting their life. JAC has always pursued the excellent quality and adhered to the principle of protection passengers' life under any extreme environment.

(<http://jacen.jac.com.cn/article/20140107/75140406.html>)

Monthly Sales Record in **China**, January vehicle sales surpass 340,000 units – 11/2/2014

In January, General Motors and its joint ventures set an all-time monthly sales record in **China** with sales of 348,061 units, an increase of 12.0 percent from January 2013, the previous record month.

Domestic sales by Shanghai GM and SAIC-GM-Wuling and their Buick and Wuling brands all reached all-time highs as well in January.

Shanghai GM sold 171,856 vehicles in **China**, an increase of 11.4 percent year on year. SAIC-GM-Wuling sold 172,852 vehicles, as domestic demand for its products increased 13.9 percent on an annual basis.

Demand in **China** for FAW-GM's products dropped 26.1 percent on an annual basis to 3,319 units.

Buick sales in **China** rose 15.7 percent from the first month of 2013 to 100,127 units. It was the first time that Buick's monthly sales topped 100,000 units. Its best sellers in January were the Excelle XT and GT, which generated collective demand of 34,176 units, an increase of 44.2 percent. Buick also continued to enjoy strong demand for the GL8 family, which experienced collective sales growth of 114.8 percent to 11,973 units. In addition, the Encore SUV had sales of 9,052 units, which was up 14.9 percent.

Chevrolet sales in the domestic market dropped 0.2 percent year on year to 65,988 units in January. The brand's most popular model was the Cruze, which sold 22,621 units. Demand for the Sail family also remained strong, with sales of 21,989 units.

Cadillac luxury vehicle sales in **China** jumped 265.7 percent to 5,741 units in January. Sales of the SRX jumped 96.1 percent to 2,812 units, while sales of the XTS totaled 2,365 units in the nameplate's first January on the market.

Wuling sales in **China** reached 163,886 units in January, which was up 13.2 percent from the same month last year. Its best-selling model was the Hong Guang family, whose sales grew 69.9 percent to 81,153 units. Baojun, GM's entry-level passenger car brand in **China**, had sales growth of 27.8 percent to 8,966 units.

General Motors traces its roots back to 1908. GM has 12 joint ventures, two wholly owned foreign enterprises and more than 58,000 employees in **China**. GM and its joint ventures offer the broadest lineup of vehicles and brands among automakers in **China**. Passenger cars and commercial vehicles are sold under the Baojun, Buick, Cadillac, Chevrolet, Jiefang, Opel and Wuling brands. In 2013, GM sold nearly 3.2 **million** vehicles in **China**. More information on General Motors in **China** can be found at GM Media Online.

(
http://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/cn/en/2014/Feb/0211_sales.html)

New General Motors CEO Mary Barra Visits Shanghai – 13/2/2014

Mary Barra made her first visit to **China** as GM's new CEO this week. She hosted a meeting with employees at the GM International **Operations** (GMIO) and GM **China** Headquarters in Shanghai. She also met with Shanghai Mayor Yang Xiong and representatives from GM **China**'s joint ventures.

Barra was joined by new GM President Dan Ammann and new GM Executive Vice President, Global Product Development, Purchasing and Supply Chain, Mark Reuss.

"I am very impressed by our teams at GMIO and GM **China**," said Barra. "Our local employees are playing a fundamental role in GM's ongoing turnaround worldwide. GM will further strengthen our investment in **China**. This

is crucial for ensuring we remain a global industry leader.”

She highlighted the planned investment by GM’s joint ventures in **China** of about \$11 **billion** in vehicles, facilities and people through 2016. **China** and its joint ventures will launch 19 new and refreshed models in 2014. She also mentioned GMIO will launch nearly 20 new products in its nearly 100 markets.

“The key to our success remains designing, building and selling the world’s best vehicles,” Barra added. “We will keep our focus on the introduction of cars, trucks and crossovers that can take on the best that the competition has to offer – wherever we do business.”

During her meeting with Yang Xiong, Barra reiterated the importance of both Shanghai and **China** to GM. She pointed out that as GM’s largest market for the past five years, **China** will continue to serve as a prime location for the development of new vehicles, services and technology.

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(
http://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/cn/en/2014/Feb/0213_mary.html)

Latest Research

Scope: Screen industry views

Cameron, Sandy; Gutierrez, Peter; Giuffre, Liz; Judah, Tara

Abstract:

There is a certain accepted template for raising finance for a feature film in Australia. After around three years of script development, a project is shown to the marketplace to attach local distribution and an international sales agent for cash advances or marketing guarantees. These attachments trigger state- and federal-agency funding, and then the Producer Offset (40 per cent of qualifying Australian expenditure) is cash-flowed into the budget through an agency or private film fund. It’s a proven template up to a point, but it’s increasingly difficult to execute. In the current landscape, there is a paucity of Australian distributors and a high demand on limited government investment. Perhaps most crucially, this is a project-by-project financing model, with mostly small operators struggling for overheads and ongoing capital. Veteran director, producer and head of Adelaide Motion Picture **Company** (AMPCO) Mario Andreacchio, whose films include Napoleon (1995), The Real Macaw (1998) and

The Dragon Pearl (2011), is someone who has been looking outside of this template for many years.

(
<http://search.informit.com.au/documentSummary;dn=126825818989175;res=IELLCC>)

The Industry

The development of **China's** modern auto industry - 2012

China's automobile industry dates to the 1950s when, in 1956, the "Jiefang" truck became the first domestically produced commercial vehicle. Two years later, the "Hongqi" car became **China's** first branded passenger car, and served as a government official vehicle.

Production capacity, however, grew slowly until the beginning of market reforms. In 1986, under the 7th Five-Year Plan (1986-1990), the automotive industry was designated as a national "pillar industry". In 1994, the "Formal Policy on Development of Automotive Industry" was promulgated by the State Council as a further guide to the development of the industry.

To protect the domestic auto industry, the authorities proceeded gradually and unevenly with the opening of the market to imports. During the mid 1980s, a variety of measures were imposed to restrict auto imports, including tariffs and quotas. As of 2001 import tariffs for finished auto vehicles were in the 70%-80% range, although tariffs for auto parts were considerably lower at around 25%. Foreign investment was allowed only under the framework of joint ventures with major domestic manufacturers. Auto production reached 2 **million** units by 2000, making **China** the 8th largest producer in the world at the time, mainly through joint ventures with the major producers.

Prior to **China's** accession to the WTO, requirements on local input content were common. For example, foreign automakers were not allowed to establish wholly-owned auto companies in **China**, and joint venture products made in **China** were required to meet local content rules of 40%. There were also requirements on the balance of auto/auto parts imports and exports as well as the balance of foreign exchange on foreign-invested automakers.

With **China's** accession to the WTO, commitments were made to reduce tariff and non-tariff barriers, including import tariff cuts for finished vehicles and auto parts to around 25% and 10% respectively. Meanwhile, quotas on auto imports were reduced and finally removed, under the new "Automotive Industry Development Policy" announced by the National Development and Reform Commission (NDRC) in 2004. to bring the market into WTO compliance and the TRIMs agreement (the Agreement on Trade Related Investment Measures).

Complementing the opening progress in the auto manufacturing sector, the **China** Banking Regulatory Commission (CBRC) also issued new measures to allow foreign investors to establish auto finance companies for the first time.

(
http://serviciodeestudios.bbva.com/KETD/fbin/mult/120619_China_Automobile_Outlook_EN_Edi_tcm348-334127.pdf?ts=11112013)

Automotive to **China** – 12/8/2013

The automotive industry is one of **China's** designated 'pillar' industries. In 2012, a total of 19.3 **million** vehicles were sold in **China**, of which 15.49 **million** were passenger vehicles and 3.81 **million** commercial vehicles (Source: **China** Association of Automobile Manufacturers (CAAM)). Total vehicle sales increased 4.33 per cent over 2011, up 7.07 per cent for passenger vehicle sales and down 5.49 per cent for commercial vehicles.

China became the world's largest automotive market in 2009 and has maintained the leading position for four consecutive years. Over the past decade, **China's** annual vehicle sales jumped 10-fold as rising affluence and government incentives boosted demand. With the introduction of government incentive programs in 2009, total automotive sales experienced strong growth rates of 46 per cent by the end of 2009 and continued to grow by 32.4 per cent in 2010.

The manufacturing of passenger cars is one of the national priorities, particularly in Shanghai, Changchun, Wuhan, Chongqing and Guangzhou where dominant international players such as Volkswagen, General Motors, Ford, Citroen and Honda have established production facilities. Currently the top 5 OEMs with annual sales over 1.5 **million** are:

Shanghai Automotive Industry Corp.

Dongfeng Motors Co.

First Automotive Works

Chang'an Group

Beijing Automotive Industry Holding Co.

In addition to those major players, many local automotive manufacturers such as Chery Auto, Great Wall Motors, Geely Auto and BYD Auto are growing quickly.

China's automotive components industry is quite segmented with approximately 2,000 large and medium-sized automotive component manufacturers. There are also over 1,000 small manufacturers across **China** operating under separate industry administrations but supplying to the automotive industry. The industry is focused on safety systems, new material utilisation and environmentally friendly technologies such as alternative fuel systems.

In 2011, the 12th Five-Year Plan (2011-2015) was launched. The automotive industry is one of the seven strategic industries that the government is looking to develop. New **energy** vehicles are a focus of the automotive industry strategy and one of the measures towards reducing national emission levels. New **energy** vehicles will continue to enjoy funding and support from

the highest levels of government. The Ministry of Finance will invest over a trillion yuan for further research on **energy**-efficient and new **energy** automobile core technology. New **energy** vehicles are predicted to play a leading role in **China**'s automotive industry for the next 10 years, with sales forecasts of electric vehicles reaching one **million** by 2015. The Guideline also predicts that accumulated domestic sales of new **energy** vehicles will reach five **million** units by 2020.

In April 2012, the **Energy**-saving and New **Energy** Vehicle Development Plan (2012-2020) was released. It made clear that development of electric vehicles is the strategic goal of the **Chinese** automotive industry in the next 10 years. The current priorities are to move forward the commercialisation of battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV), and to promote hybrid vehicles and **energy**-saving ICE vehicles to a wider extent. The Plan targets production and sales of 500,000 units of BEV and PHEV by 2015 and five **million** units by 2020. The Plan also sets goals for improved fuel efficiency, for example, a target average fuel consumption of 6.9 litres per 100km for all passenger vehicles by 2015 and 5.0 litres by 2020. In the meantime, the overall technology of new **energy** vehicles, power batteries and key automotive components and parts should be at international standards.

China's automotive industry is gearing for a new round of restructuring. In September 2010, the State Council issued guidelines to promote mergers and acquisitions (M&A) in six pillar industries; automotive, steel, cement, machinery, electrolytic aluminium and rare earths. The new guidelines call on the local authorities to put aside protectionism and eliminate obstacles to M&A. Currently there are more than 130 vehicle producers in **China**, scattered over 27 provinces and regions in **China**. The top 10 OEMs are responsible for 87 per cent (in total over 16 **million** units) of the country's automotive production and sales in 2011. To improve economies of scale, the **Chinese** government planned to reduce the number of producers to 10 during 2011 with annual output capacity of over one **million** each. Yet industry consolidation has moved at a slow pace with only two major M&A deals in the past two years: Chang'an Group took over Changhe and Hafei; GAIC took over Hunan Changfeng and Gonow.

Opportunities

China is moving away from encouraging foreign direct investment (FDI) in complete vehicle manufacturing towards research and development (R&D) of new **energy** vehicles. The National Development and Reform Commission and Ministry of Commerce released the Catalogue of Industries for Guiding Foreign Investment (2011 revision) in January 2012. It removes 'complete vehicle manufacturing' from the 'encouraged' to 'permitted' category, considering the overcapacity and abundant FDI in this area.

Instead, the government encourages investment in R&D and new **energy** vehicles. Below are the detailed development priorities from the Transport and Transportation Equipment Manufacturing of Item 19:

Manufacturing and R&D of engines

Manufacturing key automotive components and parts and R&D of key technologies

Manufacturing and R&D of automotive electrics and electronics

Manufacturing of key automotive components and parts for new **energy** vehicles

The development of new **energy** vehicles suggests opportunities in improving fuel efficiency, power battery research and development to make vehicles safer, more reliable and lighter. The construction and technology of charging facilities is also needed to foster the development of EV infrastructure.

Opportunities also exist in the following areas:

Auto safety systems including ABS and air bags

Auto transmissions

High performance friction material for brake systems

Tooling technology

Vehicle body design

Low capacity and high performance petrol engines

Diesel engines between seven and 12-litre capacity and key parts

New material for automotive parts development including magnesium casting parts

Development of hybrid vehicles, particularly in passenger cars

Development of vehicles using an alternative fuel or new source of **energy** such as rechargeable capacitance electricity vehicles, particularly in public bus transportation systems

Battery, motor, e-control systems

Tariffs on automobiles and components are being continually reduced following World Trade Organization (WTO) accession. An average rate of 25 per cent for cars and 10 per cent for components now applies.

Duties are imposed on the majority of imports to **China** and a 17 per cent Value Added Tax is applied to all imports, except those specifically used for manufacturing for re-export. Potential exporters are therefore advised to make direct contact with Austrade in order to obtain the most up-to-date information on the relevant sector tariffs and regulations.

Since April 2006, **China** has implemented regulations known as 'whole vehicle character'. These regulations impose a tax on imported automotive components equal to the tariff on a complete automobile – typically 25 per cent – if the final assembled vehicle fails to meet certain local content requirements. Previously, tariffs on automotive components ranged from 6-10 per cent.

Foreign car manufacturers in **China** such as Volkswagen and General Motors are likely to prefer purchasing components worldwide, based on price and quality rather than purchasing from the local market due to quality issues. **China** has also begun expanding available access under import quotas by 15 per cent annually, from an initial level of US\$6 **billion** until the complete elimination of quotas within six years of WTO accession.

Industry standards

In general, international standards are applied in **China's** automotive industry. International automobile manufacturers, such as General Motors and Volkswagen, dominate the standards, models and platforms used. **China** closely followed the European emission standards when making up the national emission standards. **China** imposed nationwide stage four (Guo IV) emission standards and measurements for all new light gasoline vehicles on July 2011. A couple of municipal governments like Beijing are in the process of drafting stricter emission standards and administrative measurements.

Market entry

Several market entry strategies exist for Australian firms to enter the **China** automotive industry:

Joint ventures or wholly owned foreign investment can be suitable options, as the industry – including international car makers – prefer to source from domestically located suppliers (often first tier suppliers) to ensure just-in-time delivery (follow your customer).

Develop links to car manufacturers to identify specific product needs.

Access second tier or third tier suppliers as this sector has less central government interference and is driven by free competition based on pricing and quality. Establishing trade relationships with suppliers who sell to OEM component manufacturers is a recommended approach. Often this trading relationship is converted into an investment partnership in order to secure market share.

There are a number of key strategies that should be considered when marketing automotive components in **China**:

As automotive technologies and products are industry focused and specialised, targeted market visits to potential customers and strategic partners is an effective approach to initial market development.

International auto exhibitions are suitable and effective for generic applications and auto-related products and services, including car care products and testing equipment.

Promotional activities such as seminars and product launches are useful for new technology and material applications.

Liaise with major multinational car makers and component manufacturers with investments in **China** to

establish their specifications and import requirements. Multinationals often resort to imports if the local suppliers cannot meet their quality and pricing requirements.

The automotive industry globally has been an early adopter of e-commerce and online marketing, however, auto-related e-business in **China** is just starting. Online sales of new cars is still a new business model. With **China**'s less developed online payment system and difficulties establishing the business credentials of some companies in **China**, it means physical transactions are still most common and higher risks may be expected in online business transactions.

Government, business and trade resources for **China**

China Association of Automobile Manufacturers – www.caam.org.cn/english

China Automotive Technology and Research Center – www.catarc.ac.cn

China Society of Automotive Engineering

A-508, Hao Yuan, Pengrun Garden

Caihuying, Fengtai District

Beijing PR **China** 100054

Tel: +86 10 6347 6226

Fax: +86 10 6347 6444

Media

China Automotive Review – www.cbuauto.com

China Daily – www.chinadaily.com.cn

China Automotive Technology and Research Center – www.autoinfo.gov.cn

(
<http://www.austrade.gov.au/Export/Export-Markets/Countries/China/Industries/Automotive#.UnsD3HCBI4w>)

Automotive Industry Analysis – September 2013

According to the **China** Association of Automobile Manufacturers statistics, in September 2013, showing an overall sales booming auto market trend, MoM and YoY showed rapid growth. January to September, car sales remained stable year on year growth rate over the previous August have been enhanced.

September, automobile production 1,926,600, growth of 14.87%, an increase of 15.96%; sales 1,935,800, growth of 17.40%, an increase of 19.66%. Where passenger car production 1,576,400, growth of 13.60%, an increase of 16.51%; sales 1,593,500, growth of 17.76%, an increase of 21.12%. Commercial production of 350,200, growth of 20.99%, an increase of 13.52%; sales 342,300, growth of 15.77%, an increase of 13.30%.

January to September, car sales 15,938,400 and 15,883,100, an increase of 12.78% and 12.70%. Increase over the previous August, respectively 0.42 percent and improved 0.89 percentage points; compared with a year earlier, an increase of 7.80 percentage points, respectively, to enhance and 9.33 percentage points. Where passenger car sales 12,927,100 and 12,849,300, an increase of 13.72% and 14.02%; commercial vehicle sales 3.0113 **million** and 3.0338 **million**, an increase of 8.93% and 7.46%.

(
<http://www.auto-stats.org.cn/ReadArticle.asp?NewsID=8178>)

Leading Companies

China Automotive Technology and Research Centre

About Us

China Automotive Technology & Research Center (CATARC) was established in 1985 response to the need of the state for the management of auto industry and upon the approval of the **China** National Science and Technology Commission. It is now affiliated to SASAC.

Up to now, there are 2051 employees working in CATARC with 848 technical professionals, including 43 professor-level senior engineers, and 51 doctors, 232 senior engineers. The assets and land area has totaled 2600 **million** and 625.33 thousand square meters (including 450 m² the New Base).

As a technical administration body in the auto industry and a technical support organization to the governmental authorities, CATARC assists the government in such activities as auto standard and technical regulation formulating, product certification testing, quality system certification, industry planning and policy research, information service and common technology research. So far CATARC has built up certain scale and competence through setting up testing labs and research departments and attracting a group of technical talents.

(
http://www.catarc.ac.cn/ac_en/about/intro/webinfo/2007/12/1196727076728291.htm)

Chery (CACTZ)

About Us

Chery Automobile Co. Ltd was founded on Jan. 8, 1997, with registered capital of RMB 3.98 **billion**. Plant construction commenced on March 18, 1997, the first car came off the production line on December 18, 1999, and on July 27, 2011, the three-**millionth** car of Chery rolled out the assembly line successfully. At present, Chery possesses an annual production capacity of 900,000 cars, engines and 450,000 transmissions.

Chery's products cover passenger vehicles, commercial vehicles and minivans. Currently, there are more than 20 models of Chery available on market, and in addition, dozens more will be released successively. Chery has

accomplished a sustainable way of development by doing research and preparation while producing autos at the same time, which supports Chery updating its auto-making technology and making its products always follow the trend. Taking Safe, **Energy**-saving and Eco-friendly as product objective, Chery has successively obtained quality certifications of ISO9001 and German TUV Rheinland ISO/TS16949, etc. For many years, Chery products which take Zero Defect as objective have won great favor of the vast customers. Chery has been recognized and accepted by customers from all over the world. In 2011, Chery sold around 643,000 units both home and abroad, winning the top title among independent automakers for 11 consecutive years. In 2011, Chery sold around 160,200 units in overseas markets, up 73% year on year and exceeds the number of 135,000 in 2008, making a great new record. In addition, the total export number of Chery since 2001 has achieved around 700,000 units by the end of May 2012. Chery has been top **Chinese** vehicle exporter for 9 consecutive years. Chery also won the golden medal of sales among **China** self-owned brands for 11 consecutive years, and has been occupying the biggest proportion of **China** passenger vehicle exportation.

Independent innovation is the core of Chery's development Strategy, as well as the source of momentum of Chery's supernormal growth. Since its foundation, Chery which has always stuck to independent innovation has developed an R&D system relying on Automotive Engineering & Research Institute, Central Research Institute, Planning & Design Institute, and Testing Center. Under the system, Chery jointly designs key parts with holding companies and suppliers, and carries out cooperation combining production, study & research with domestic universities and scientific research institutes. Till now, Chery has set up an R & D team of more than 6000 members, and acquired core technologies of finished vehicle and key parts development.

Through independent innovation, Chery has accomplished many breakthroughs on cutting edge and core technology such as TGDI, DVVT, CVT and new **energy**, which boost all Chery products into new generation. In addition, Chery also attaches great importance to conception innovation and management innovation, keeps perfecting system & mechanism, inspires the innovation vitality of the enterprise, attracts and retains numerous engineering and managerial talents to work for it. In 2008, Chery was included in the first batch National Innovative Enterprise of **China**; **Energy**-saving & Environment-protection Auto Platform Building, and Key Technology Research & Engineering Application of Independent Car Development System of Chery won the first and second prizes of National Award for Science and Technology Progress respectively. By the end of June 2011, Chery has applied 6083 patents and been authorized 4230 ones, leading **Chinese** auto enterprises.

Globalization is the strategic goal of Chery. Forging "International Namecard" is what Chery bears in mind for its strategic plan. Commencing from the initial development stage, Chery pays attention to exploiting

both domestic and overseas markets and takes initiatives in implementing the strategy of "going abroad". It became the first **Chinese** auto **company** to export CBU, CKD, engines and car manufacturing technologies to foreign countries. Presently, Chery is actively carrying out its globalization strategy. It has exported its cars to more than 80 countries and regions all over the world and the number of CKD factories built or being built is up to 16.

Through the radiating capacity of these production bases, the auto markets of Asia, Europe, Africa, South America and North America will be ranged over in depth. The total number of exported vehicles has reached 660 thousand, which is on the top of the list among all **China** Vehicle companies.

While Chery is enhancing its hard power actively, it also pays close attention to fostering soft power. Inheriting the idea of "Extensive Marketing", Chery keeps upgrading the platforms of "Brand, Quality and Service" comprehensively, and promoting brand and corporate images. Chery pays much attention to the brand promotion while seeking independent research, innovation and globalization. Through continuous efforts on aspects of technology, quality and services, the brand of Chery has been established and promoted. Recently, the qualities of Chery auto products and CSI have been improved greatly, helping Chery won applauses from the customers. In 2006, Chery was recognized as "**Chinese** Famous Brand" and ranked 62nd among "500 Most Valuable Brands of **China**". In 2007, Chery was selected in "Top 20 Globally Most Competitive Companies of **China**" and "Top 100 Most Competitive Companies of Developing Countries". In 2010, Chery was chosen as the "Most respected **Chinese Company**" by Fortune magazine for the 5th time, and at the same time, listed in "Top 10 Globally Most Competitive **Chinese** Companies" for the 2nd time in the latest research report released by world-renowned Roland Berger Strategy Consultants. Also in 2009, Chery topped the compact car and the premium compact list with QQ3 and QQ6 in the "Report of 2009 **China** Initial Quality Study (IQS) SM" released by J.D. Power Asia Pacific, the authoritative rating agency for auto companies. It was the first time for **Chinese** independent brands to win the first place in the two market segments in 10 years since J.D. Power first released the Report, representing a historic breakthrough. In 2010, Chery was awarded by Fortune magazine as "Most Admirable **Chinese** Companies" for a 5th consecutive year. Meanwhile, Roland Berger, a worldwide-known Strategy Management **Company**, has issued its latest report where Chery's name appears in the list of "Top 10 **Chinese** Companies with Global Competitiveness" for 2nd time after 2007.

With vigorous culture of innovation, Chery has realized the great-leap-forward development and has received deep concern and great attention from the leaders of the country and the Party. Hu Jintao, Wu Bangguo, Wen Jiabao, Jia Qinglin, Li Changchun and Li Keqiang, etc. had paid visits to Chery successively. They all positively recognized and thought highly of Chery and also expressed their higher expectations. Chery will continue its objective of "Independent Innovation, World First

Class, Serving Mankind”, keep carrying forward the spirit of hard work, and make constant efforts to realize its phase-III goal of becoming an international famous **Chinese** brand.

(<http://www.cheryinternational.com/company/index.html>)

Development Strategy

China has been the biggest automobile market in the world. At present, we can not imagine that the automobile industry of **China** does not have its own brands and core technologies. **China** has been the third largest economic entity in the world, and is bound to cultivate international proprietary brands in the automobile industry.

It is just based on such mission and confidence that, in 1997, Chery was born in the desert of the national automobile industry and has been marching forward courageously.

Although Chery has experienced all sorts of difficulties, its future development road will not be smooth, we shall tenaciously pursue and realize our own dream without hesitation guided by our own direction and objective, as have understood such mission and firmed such confidence. Today Chery has, compared with the one more than ten years ago, accumulated considerable technologies and experience and established its own base, and has also indomitably taken rooted in the international market and has been striding toward our objective.

Competition is an eternal melody of the market economy- harmony only belongs to the strong in the end. With the continual development and expansion of Chery, the entire world is keeping a watchful eye on Chery at present. The newborn **Chinese** automobile brands including Chery will be confronted with a worsening market environment, which is realistic pressure. However, employees of Chery never lack the spirit of drawing sword at critical moments and the courage of fighting. They do not hesitate nor stop due to the changes of the external environment- Even if it needs efforts for generations, we will also realize our final objective.

We know that it is not enough to merely have spirit and courage. On the road of creating the international proprietary brands, Chery shall unit all forces that can be united to establish our united front. Chery shall actively undertake international cooperation and innovate cooperation modes with a global view so as to realize the objective of mutual benefit and multi-win, and common development with partners while improving its global competitiveness and brand internationalization.

(<http://www.cheryinternational.com/company/strategy.html>)

Chery **China**

In domestic market, Chery innovates the marketing mode characterized with network marketing. In this way, it not only strengths the control capacity of the market,

but avoid unfair competition and internal friction in resource, moreover, it greatly enhance the ability in marketing services, enlarges Chery's marketing network, so that Chery's marketing network can cover both the developed towns and undeveloped counties, thus, it lays a solid foundation for yearly fast promotion in Chery's marketing; advocate both development in quality and service, stimulate brand leap, realize three strategic aims of "brand leap, quality leap and service leap"; by building Chery brand, while standardize the core information for product, deliver product positioning and its selling points to customers, it also benefits the customer in clearly finding out suitable products according to their own needs among complex automobile market.

Chery gradually establishes and perfects the after sales service system which is to "enhance customer satisfaction as the goal" and its service network covering 31 provinces, autonomous regions and municipalities at home. The intensive service network enables Chery's after service more timely and quickly, which helps to create "more convenient, cheaper and more satisfied" reputation for Chery's service.

(<http://www.cheryinternational.com/company/chery-china.html>)

Social Responsibility

While Chery people incorporated the three words "benefit the people" into their operation policies at the very beginning of establishment, they also bore in mind the three words. We have long pursued to "give the value we created back to the society" and this has never changed. From "Eastar" scholarship to Gansu Minqin sand control afforestation, and from environmental-friendly vehicles for the Olympic Games to "5.12" earthquake disaster relief and rescue, Chery, as a flag of China's national industry, always breathe together with the 13 billion Chinese people and fight together with them to perform its duties for the country and the Chinese people.

While our company provides safer and more environment-friendly and more energy-efficient vehicles to the consumers all over the world in the near future of ever growing internationalization, we will also give Chery's value back to every corner of our land Chery people were concerned about the disaster-stricken area and the whole company acted immediately. Firstly they donated things to the area worth RMB4 million and then it donated RMB 12million. On May 22, Chery again donated RMB5million through the Red Cross to the area to rebuilt Hope Primary School in the area helping the children there resume study in an early time. Chery also sent 30 Chery autos worth RMB3 million through the Ministry of Science and Technology. Chery together with its partners and employees totally donated RMB24million of things and money.

When the country and the people suffer from disaster, Chery, as a corporate citizen, has the duty and responsibility to share worry of the country and the people and solve their difficulties. The RMB 24million showed the wish of all Chery people and its partners

hoping that the disaster-stricken area could be reconstructed in an early date!

The earthquake was ruthless but the people were not. All Chery people and partners (including sellers, associates and suppliers) practically acted to help the people in the disaster-stricken area to go through difficulties and rebuild homes. Chery partners were even more active to donate money and they totally raised RMB8.7million; Volker Steinwascher, the Chairman of the Board of the U.S. party of one of the joint ventures of Chery---Quantum LLC called Yin Tongyao, Chairman of the Board of Chery, and proposed to donate RMB2million. The money together with the 30 autos donated by Chery and ten thousand tents were successively sent to the disaster-stricken areas and relevant authorities. Representatives of Chery also formed love squad and went to the serious affected area of Beichuan to relieve the disaster.

(<http://www.cheryinternational.com/company/responsibility.html>)

Culture

Enterprise Core Concept

Serving mankind with independent innovation and world class quality;

Customer first, quality foremost and efficiency paramount;

Targeted management, standard procedure and continual improvement;

People-oriented, honest, cooperative and diligent with integrity.

Products

"Safer, More **Energy** Saving and More Environmental-Friendly"

Chery is pursuing world-leading technologies, creating independent intellectual properties,

forging a world-renowned brand and exploiting the global automobile market.

Human Resources Philosophy

Always sticking to people-oriented principle through the following acts: keeping the employees by treating them with sincere feelings, attracting the employees by offering a splendid career, training the employees with challenging tasks, cultivating the employees through effective learning and encouraging the employees with reasonable systems.

(<http://www.cheryinternational.com/company/chery-culture.html>)

Honor

On Decembers 28th,2005, The president of Chery Automobile Co., Ltd, Yin Tongyao, President of CNOOC, President of COSCO and 7 other Presidents and CEOs were awarded the honour of being " The ten

people who are most influential to **China's** economy in 2005" by CCTV. This award enjoys huge influence in **China's** economy and is regarded as the "Oscars of the **Chinese** Economy". Before this award ceremony, President Yin Tongyao was invited to present a speech at Tsinghua University, which enjoys the generally acknowledged reputation of "The best University in **China**", and the university at which Foreign Heads of State inevitably make speeches when they pay state visits to **China**. All of this has proved that Chery enjoys a huge amount of respectable acceptance and acknowledgement by **Chinese** consumers. To honourably enjoy global acceptance and praise is our aim, we will pursue it persistently and hopefully.

(<http://www.cheryinternational.com/company/honor.html>)

FAW (000800: Shenzhen)

About Us

FAW Group is a global leader in the vehicle manufacturing industry with a 60-year history of innovation. Founded in 1953, FAW employs 120,000 people around the world and sells products in over 70 countries. As **China's** state-owned automotive corporation, the **company's** total assets are valued at 244.575 **billion** yuan RMB. FAW is a diversified maker of quality light, medium, and heavy-duty trucks, automobiles, municipal buses and luxury tourist coaches, custom bus chassis, and mini-vehicles with total sales in excess of 18 **million** vehicles worldwide.

China FAW Group Corporation, commonly referred to as FAW due to its original name of First Automotive Works, broke ground for its first factory on July 15, 1953. FAW produced **China's** first Jiefang commercial truck in 1956, and in the year 1958, **China's** first Dongfeng car and first Hongqi luxury sedan rolled off the production. Since then, FAW has been at the forefront of promoting **China's** automotive industry.

FAW Group Corporation is headquartered in **China's** northern city of Changchun, Jilin Province. FAW Group's domestic production facilities, subsidiaries, and engineering development and test centers are located in 18 locations throughout **China**. Manufacturing plants are located in northeastern **China's** Jilin, Liaoning and Heilongjiang provinces, eastern **China's** Shandong province and Tianjin municipality, southern **China's** Guangxi and Hainan provinces, and southwestern **China's** Sichuan and Yunnan provinces. Products include a full range of passenger cars; light, medium, and heavy trucks; coach chassis; municipal transit and intercity buses; luxury tourist coaches; mini vehicles; engines; transmissions; axles; and components.

FAW maintains the **lead** market position within **China** while continuing to expand into new international markets, executing a carefully planned strategy to build a comprehensive global organization.

We are dedicated to the core value that total customer satisfaction is our number one priority. As a global player with a sales volume now over two **million** units per year, we take advantage of the latest cutting edge

technologies, production methods, and management practices to bring our customers the latest in automobile, truck, and bus design.

(
<http://www.faw.com/aboutFaw/aboutFaw.jsp?pros=Profile.jsp&phight=580&about=Profile>)

Our History

On July 13, 1956, under the guidance of the **China's** Central Committee and with assistance from the former Soviet Union, construction of **China's** first automotive production base was completed. Known at that time as First Automotive Works (FAW) and now as First Automotive Group Corporation, this sprawling car and truck manufacturer headquartered in Changchun, **China** firmly launched the country into the automotive age.

After fifty years of development and refinement, tremendous changes have taken place within FAW. In stark contrast to the early days of producing a single model of medium truck, FAW now produces hundreds of models of light, medium, and heavy trucks for every vocation. In the late 1950's, FAW quickly responded to market demand and commenced automotive and bus production, soon making FAW the leading producer of buses and luxury tourist coaches in **China**. In stark contrast to our early days, overall production volume has swelled from 30,000 units to an annual figure approaching one **million**. Under an evolutionary development of corporate infrastructure from that of a traditional state enterprise to a profitable and diversified group organization with the right combination of lean and progressive qualities, FAW is solidly in place to become a global player in the automotive industry.

After surpassing the one **million** unit annual sales figure in 2005, FAW Group Corporation has set exciting new goals as the **company** makes use of the latest in information technologies to keep our people and customers connected worldwide, thus ensuring an important competitive edge in the marketplace.

Laying the Foundation (1950-1969)

The ground breaking for FAW's headquarters and first production facilities on July 15, 1953 was an historic and exciting time in **China's** history. The **company's** first medium duty truck, the model CA10, immediately became a daily sight to people throughout **China** and a symbol of industrial pride to the country.

FAW's creation was an important part of New **China's** first five-year plan, and was successfully executed with the support of the former Soviet Union thru an agreement supporting industrial cooperation signed by **China's** Chairman Mao Zedong and Prime Minister Zhou Enlai with Soviet leaders.

In April of 1950, **China's** Automobile Industry Preparatory Committee was established by the Ministry of Heavy Industries. Following meticulous research and preparation, the **Chinese** government's Central Committee authorized a three year plan for the construction of First Automobile Works in Changchun. Chairman Mao Zedong autographed the foundation

stone and bestowed the name "Jiefang", meaning liberation, on the model CA10 medium truck to symbolize **China's** new independent ability to create the tools for a modern national transportation system.

During construction of the new truck plant in Changchun, the Soviet government provided technical support, tooling, and more than 80% of the production machinery. A large number of Soviet advisors were stationed in Changchun during the ramp-up period to help orchestrate factory construction, production preparation, and train FAW employees.

During the 3 year preparation span, talented management and support staff were recruited from all over the country. Thousands of assembly line workers were hired and trained. More than 20,000 workers from the 5th construction division, composed of mechanical and electrical tradesman, were put to the task of transforming the daily arrivals of construction material into a state-of-the-art production facility on schedule. The successful collaboration of all concerned promoted the progress of construction, with completion occurring on July 15, 1956. Indeed, many felt the pace and quality of the work was miraculous.

Growth and Development (1970-1979)

The period from the start of production in 1956 until the end of 1978 was a critical growth and development period for FAW.

Not long after the production of the CA10 medium truck began, FAW commenced with production of the "Dong Feng" (east **wind**) passenger sedan and the "Hong Qi" (red flag) luxury sedans. FAW's entrance into the automobile arena to any meaningful level was however to be delayed by two historically difficult periods for the **company**. The "Great Leap Forward" (1958-1960), a well-intentioned government plan to quickly advance **China's** general industry, met with unexpected difficulties that temporarily drained available financial and management resources necessary to FAW. As the winds of fortune again turned in the **company's** favor, including a strategically planned 3 year recuperation span, the 1960-65 business period proved to have the most robust sales demand to date for FAW.

The second difficult period distracting the **company** from its business focus, known as the "Cultural Revolution", occurred from 1966 thru 1972. In 1972, **Chinese** Premier Zhou Enlai spearheaded an end to this politically uneven period which allowed the **company** to return to normalcy and resume the upward trend we have today.

In 1975, the **company's** progress was further strengthened by the forward-thinking of **China's** Deputy Premier Deng Xiaoping initiatives for state enterprise reform.

In 1977 and 1978, further reforms were initiated by the **Chinese** government to assist FAW and other state-enterprises in catching up with the economic targets temporarily pushed back by the environment of the "Cultural Revolution". As a result, despite the previously mentioned setbacks indirectly beset on the

company, FAW seized the infusion of forward momentum and pushed forward with new technology, tripling the number of product offerings, and increasing production from 30,000 to 60,000 units.

During the 1970's, FAW produced both vehicles and talent as well. Following the **Chinese** governments decision to diversify its vehicle production base, the Second Auto Works, now known as Dong Feng Motor Corporation, was created in **China's** Hebei Province under the orchestration of FAW utilizing many designs and talented individuals as directed from the **company** to ensure a successful launch.

Model Changes and Revisions (1980-1989)

Plans were initiated in 1979 for a complete redesign of FAW's prominent CA10/30 medium truck. In the midst of the development phase, FAW in 1983 instigated a significant plant modernization campaign to update FAW and match the revolutionary new truck with a modern production facility. Taking a cue from overseas, many Japanese production techniques were incorporated into FAW's manufacturing process to enhance efficiency. After extensive R&D, testing, and production preparation, the new CA141 medium truck entered production at the end of 1988. During the 1983-88 period, the **company** cemented its new policies of moving the corporation away from the priorities of a traditional state enterprise to that of a modern profit-driven organization.

Profitability and sales motivation were infused into the **company** culture. With the support of **China's** Central Committee, FAW received enhanced rights for selling product through its proprietary sales channels, for overseas trade, and self-empowerment for enterprise planning. Climaxing this exciting period of new products and corporate revitalization, the **company** formally opened its doors to international sales for the first time.

The resultant new **company** atmosphere allowed FAW's employees to act with renewed spirit and **energy**, and follow the global trend in revising and replacing models at a much more rapid pace than in the past to meet increasing market demands. New light, medium, and heavy trucks were planned in conjunction with a new range of automobiles.

Following a pattern of strong alliance between Jilin Light Truck and Mini Vehicle Corporation and FAW, the Jilin concern was merged in 1987 by **China's** Central Committee into FAW Group, to make better use of the synergies between the two companies and promote the expansion of FAW's product line.

In 1994, FAW Industry General Corporation was founded based on an alliance between the FAW Automobile Research Institute and FAW's 9th Planning and Designing Institute, which greatly solidified the **company's** technical resources.

A Maturing Strategy (1990-1999)

The period between 1988 and 2001 witnessed a renewed focus on enlarging the **company's** automotive offerings. The **company** created two separate

automotive concerns, that being the FAW Passenger Car **Company** and FAW-Volkswagen Automobile Co., Ltd. This climax of municipal bus, luxury tourist coach, custom bus chassis, and light, medium, and heavy truck manufacturing, combined with an extensive portfolio of proprietary and jointly-produced automobiles, firmly solidified the position of FAW Group as a top world player. Heavy truck production surpassed that of medium trucks for the first time, and the ratio of car to truck production reached 50%. Overall production finished 5.1 times higher in 2001 over 1988. Corporate income increased 22.8, landing FAW a spot in the top 10 of **China's** largest companies

Additional cooperation overseas with automotive suppliers and manufacturers, and the expansion of FAW's overseas sales organization, both led to the creation of many significant joint venture companies between FAW Group and overseas partners. Now exporting complete vehicles, CKD/SKD vehicle kits, and oem/aftermarket parts to more than 70 countries, FAW had successfully transformed itself from a famous domestic vehicle manufacturer to a formidable participant in the global automotive arena.

FAW also engaged in an effective campaign to reduce quality defects and improve the cost-effectiveness of factory **operations** and procedures. Through an internal audit, FAW discovered new ways to streamline internal **company** procurement and reduce cost. Factory inventory levels were also adjusted to follow a leaner "just in time" philosophy.

Foundation for the Future (2000-Present)

In December 2001, FAW convened the 11th session of the Party Representative Conference, the **company's** annual meeting with representatives of the government's Central Committee, and announced that FAW has successfully completed its third ramp-up phase during the 1988-2001 period, more than doubling production, marketing scope, sales income, profit, and employee income. In 2002, FAW extended its goals and announced changes relevant to **China's** entry into the World Trade Organization that will assure the **company's** continued growth in the global market.

FAW is entering into an exciting and dynamic new era. From its humble beginning in 1953, FAW has become a major supplier of automobiles, trucks, buses, and coaches around the globe. Under superb leadership accompanied by an outstanding staff of dedicated people, FAW is proudly poised to become the new benchmark for innovation, satisfying the world with the best automobiles and trucks available.

(
<http://www.faw.com/aboutFaw/aboutFaw.jsp?pros=forward.jsp&phight=580&about=forword>)

Our Visions and Missions

FAW Group, founded as the "First Automobile Works", is the birthplace of **China's** automotive industry. As **China's** oldest and largest passenger car, bus, coach, and commercial truck manufacturer, the **lead** pioneer in the industry, FAW Group reaffirms its dominant position

year-after-year with exciting and cutting edge vehicles that meet and exceed the demands of our customers around the world. We understand and focus on the needs of our customers, delivering outstanding products and service.

We are continually in pursuit of perfection and proud to be number one. We know that our performance is measured through the eyes of our customers, and endeavor to exceed their every expectation. We remain dedicated to developing our proprietary brands while continuing to engage in mutually beneficial long-term joint venture cooperation with solid and respected global industry leaders where engineering, manufacturing, and marketing synergies are recognized.

Our operating philosophy states that we are our customer's "first partner", emphasizing the importance that we place on the customer relationship. Our reasons for working with **energy**, passion, and respect are twofold: to establish and maintain long-term customer relationships, and to build the most desirable vehicles in the world.

Corporate Spirit:

Promoting teamwork is the heart of FAW's development. In an atmosphere that inspires a sense of unity, the spirit of innovative thinking, respect for others, personal growth and continuous improvement amongst our employees, we are able to deliver outstanding business results. We are committed to the ongoing development of employee skills at all levels, keeping our people up-to-date with the latest technology.

Innovation is the soul of FAW's development. Our passion for innovation and creative thinking runs deeply in the **company's** culture, giving our employees the support to turn exciting concepts into reality.

Personal growth is the backbone of FAW's development. By promoting the personal growth of our employees through their work, we are able to increase the participation of our talented people in the decision-making process and reward them for their outstanding accomplishments.

Optimization is a fundamental part of FAW's development. We take full advantages of our vast resources to promote a high performance work culture, enabling us to rise and meet tomorrow's challenges.

Operating Philosophy:

We are committed to providing the highest quality products and services that reflect our customer's expectations, complimented by a comprehensive world class support network.

We endeavor to continuously refine and improve our products, services, and processes to better serve our customers.

We continually review the needs and demands of our customers to earn their respect and build long-term relationships.

Our "customer first" philosophy begins with the high quality standards built into each FAW Group vehicle and extends to our outstanding after-sales support system, demonstrating a clear commitment to quality and customer satisfaction.

Management Concept:

The ability to quickly bring new and innovative products to market requires a strong labor-management relationship based on mutual respect and the desire to excel.

We strive to reduce and simplify management processes to achieve optimized efficiency, and empower our employees to take an active role in our mutual success and future.

We promote human resource development at every level, enhancing the skills and capabilities of our employees so that they may reach their highest potential.

Our employees are our most valuable resource. Our people are a special breed, carrying forward 50 years of unparalleled heritage. They are energized at what they do, and honored to build the best vehicles in the world.

Mission:

We endeavor to evolve today's dreams into tomorrow's reality.

Strategic Direction:

We are committed to offering the world a full range of quality passenger cars, buses, coaches, and commercial trucks that exceed the needs and demands of our customers. We incorporate the latest technology to deliver exciting products that can benefit society with cutting edge efficiency, world class safety features, and environmentally friendly operation while encouraging **energy** diversity through the use of hybrid and alternate fuel technologies.

(
<http://www.faw.com/aboutFaw/aboutFaw.jsp?pros=%20Vision.jsp&phight=2000&about=Vision>)

Corporate Trademark

Trademark: The symbol of FAW Group represents the combination of the **Chinese** characters "—汽" (meaning "**China** FAW Group Corporation"). The **Chinese** character "—" (meaning "first") and "汽" (meaning "automobile"), when transformed visually, depict the vision of a hawk spreading its wings.

(
<http://www.faw.com/aboutFaw/aboutFaw.jsp?pros=CorporateTrademark.jsp&phight=600&about=CorporateTrademark>)

Responsibility

We steadfastly believe that we all share a global responsibility to conserve our earth's natural resources. FAW Group acts on this belief by continuing to reinvest

in new technology to lower vehicle emissions and increase fuel economy. We consider the environment at every point of the vehicle's life cycle, including production, operation, disposal, and recycling. One of FAW Group's largest responsibilities is to our 132,000 dedicated employees. We always keep at the front of our mind that our valued employees are our most valuable resource. We must and will continue to develop and grow the strength of our human resources.

As the automotive industry has developed globally, attention to the sustainability of our environment has become a critical issue. Since October 2000, FAW Group has dedicated itself to becoming a leader in environmental management. Throughout the company, we have adopted a code of environmental responsibility to the benefit of our customers and employees as we conserve our natural resources and lower costs. Based on ongoing evaluations, FAW Group continues to evolve the lean manufacturing concept. Since 2003, factory layouts have been enhanced for a more "worker friendly" environment, thus netting significant increases in production and cost savings. Automotive and truck production has been restructured within the plants into product-specific units for improved efficiency. We are committed to creating a modern "green" manufacturing environment. The grounds of FAW Group are being artistically landscaped with gardens and ponds. The roads throughout the factory are quickly resembling greenbelt parkways, lined with hundreds of trees, shrubs, and flowers. The remarkable achievements in production and engineering leading up to FAW Group's 50th anniversary, combined with the blossoming of the company's new "green" manufacturing focus, clearly demonstrate our flexibility in manufacturing and commitment to environmental responsibility.

FAW Group has invested nearly 700 million (RMB) yuan in the projects concerning environment protection and pollution reduction. Between 1999 and 2004, the company added 23 sewage plants and 56 smoke/dust treatment systems at a cost of 336 million Yuan. As a tangible result of the company's aggressive pollution control measures, FAW's waste water processing volume is now reaching 37,600 tons per day with waste acids at 12,000 tons per year, while smoke/dust treatment stands at 9.624 billion cubic meters per year. This data fully reflects FAW Group's contribution to the healthy development of China's automotive industry, while simultaneously conserving our precious natural resources and improving the environment.

FAW actively shouldered SOEs' "political, economical and social" responsibility, took the action of the implementation of the social responsibility as a specific path to practice the scientific outlook on development, and to participate in the construction of a harmonious society.

After Yushu 7.1 magnitude earthquake happened, FAW acted promptly, flew a flag at half-mast to express mourning for the victims, sent medical team for the disaster relief, dispatched skilled workers to maintain the operation of the rescue and goods transport fleets. Meanwhile, FAW donated 19 million yuan RMB, including employees' donation of 6 million yuan RMB.

Some places of Jilin province suffered flood since 2010 summer. To deal with such damage, FAW took a series of rescue activities to the disaster areas including a donation of vehicles valued 2 million yuan RMB, sending vehicles to transport rescue goods, sending employees to participate in the flood fight, and free repairing the vehicles of the local customers. Total donation of FAW was about 15 million yuan RMB. On Aug 24, CPC Jilin provincial, and Jilin province people's government expressed their appreciation by E-mail to FAW for its outstanding contribution at flood-fighting and the disaster post reconstruction.

Five China southwestern provinces suffered drought in 2010. FAW Youth League set forth a suggestion named "a bottle of water with dedication of love, to light a hope candle", and sent a specific water-sending team to the disaster areas to hand over the donation that they collected to the Qujing Youth League Committee.

On May 12, 2008, Wenchuan county in Sichuan province suffered serious earthquake. FAW held "helping the Sichuan disaster victims in study" series activities in Sichuan after 2 years of Wenchuan earthquake.

FAW held the unveiling ceremony for FAW Hongqi Boai primary school and Jiefang Boai high school in Du Jiangyan city, Sichuan province on the morning of May 11, 2010. FAW signed the "Jiefang Award Fund" agreement and "Hongqi Excellent Junior" selection protocol with the local schools, issued Jiefang award fund and awarded the Hongqi Excellent Junior for the first time. The Red Cross Society of China issued the Red Cross medal for FAW at the ceremony.

The awarded "Hongqi Excellent Junior" students arrived at FAW on Jul 14, 2010. They participated in the well-prepared activities in the following seven days, to experience the automotive culture and national automotive development.

(
<http://www.faw.com/aboutFaw/aboutFaw.jsp?pros=Responsibility.jsp&phight=890&about=Responsibility>)

General Motors China (NYSE: GM)

About Us

General Motors Co., one of the world's largest automakers, traces its roots back to 1908. The General Motors-China relationship dates back more than nine decades. GM China's vision is together with its partners to be the best automotive group in China.

GM has 12 joint ventures and two wholly owned foreign enterprises as well as more than 55,000 employees in China. GM, along with its joint ventures, offers the broadest lineup of vehicles and brands among automakers in China. Products are sold under the Buick, Cadillac, Chevrolet, Opel, Baojun, Wuling and Jiefang nameplates. In 2012, domestic sales of vehicles by GM and its joint ventures jumped 11.3 percent on an annual basis to 2,836,128 units.

Operation in China

GM (China) Investment Corp.

Shanghai General Motors Co. Ltd. (Shanghai GM).

Pan Asia Technical Automotive Center (PATAC)

SAIC-GM-Wuling Automobile Co. Ltd.
(SAIC-GM-Wuling)

Shanghai GM (Shenyang) Norsom Motors Co. Ltd.

Shanghai GM Dong Yue Motors Co. Ltd.

Shanghai GM Dong Yue Automotive Powertrain Co. Ltd.

GMAC-SAIC Automotive Finance Co., Ltd.

Shanghai OnStar Telematics Co. Ltd.

FAW-GM Light Duty Commercial Vehicle Co. Ltd.

SAIC General Motors Investment Ltd.

Shanghai Chengxin UCO and Management Co., Ltd.

GM Warehousing and Trading (Shanghai) Co. Ltd.

GM (China) Advanced Technical Center

SAIC General Motors Sales Co. Ltd

Shanghai GM/PATAC Guangde Proving Ground

(<http://www.gmchina.com/gm/front/about/china>)

General Motors and SAIC Drive to 2030

In 2010, as a joint global automobile partner of World Expo 2010 Shanghai, General Motors and our partner SAIC introduced our vision for the future of urban transportation. During World Expo 2010 Shanghai, the SAIC-GM Pavilion welcomed more than about 2.2 million visitors from all over the world. Reflecting the Expo 2010 theme of "Better City, Better Life," GM and SAIC provided a holistic experience, highlighting the future of sustainable mobility and presented a revolutionary mobility and transportation concept that looks ahead to the year 2030.

The SAIC-GM Pavilion and the fluid lines of its exterior were inspired by nature and an automobile body. Symbolizing the road to the future, the spiral design conveyed promise and progressiveness, outlining a road that links the present with the future.

Inside, the pavilion was divided into Pre-Show, Main Show and Post-Show areas, which highlight the theme of "Drive to 2030."

Getting on the Road to 2030

Visitors relived Shanghai's fast development over the past two decades in the pre-show area. Five themed areas – Out of Gas, Traffic Jam, Parking Difficulty, Traffic Accident and Difficulty Driving – showed some of the challenges related to economic development and the growing number of motor vehicles. Further into the pavilion, visitors found that solutions to all of these challenges have been found through sustainable

mobility, enabled by electrification, connectivity and autonomous driving.

Welcoming 2030

In the Main Show area, the “2030, Xing!” movie showed how electrification, networking and autonomous driving enable humans to coexist harmoniously with the natural environment. Through the 10-minute film, SAIC and GM conveyed how tomorrow’s transportation brings people and personal transportation closer together.

2030 is Coming

In the Post-Show area, visitors found that the 2030 vision portrayed in the movie is achievable. They would have the chance to get close to the vehicles shown in the movie in addition to other advanced technologies that GM and SAIC are working on. The setting will be framed by the city of the future.

(<http://www.gmchina.com/gm/front/experience/expo>)

Baojun Vehicle Brand Has Record September Sales in **China**

SAIC-GM-Wuling’s Baojun passenger car brand had record domestic sales in September, as it prepares to begin exporting to other emerging markets.

Demand for the indigenous brand from GM’s joint venture with SAIC and Wuling Motors rose 9.6 percent from September 2012 to 10,028 units. For the first nine months as a whole, sales were up 27.8 percent to a record 69,187 units.

Baojun has grown its product lineup since the brand’s introduction in August 2011. It currently includes the 630 midsize sedan and Le Chi mini-car. In 2014, a new hatchback and MPV will be added, strengthening the Baojun portfolio.

Despite its youth, Baojun has won many awards. At the 2013 **China** Automotive Industry Science and Technology Awards, the 630 won the Second Class Award for its reliability.

In the recent 2013 **China** Automobile Customer Satisfaction Index, which surveyed consumers who had owned their vehicles for between two months and two years, the 630 was number one among midsize passenger cars priced below RMB 70,000, the Le Chi was number one among mini-cars priced below RMB 50,000, and Baojun was number one among indigenous brands and in aftersales service.

SAIC-GM-Wuling will begin exporting a version of the Baojun 630 starting at the end of 2013. It will be sold as the Chevrolet Optra in North Africa from early 2014. The joint venture is already exporting products from its Wuling brand, including the Rong Guang minivan and the Hong Guang MPV.

“Baojun has become a highly recognized brand and a formidable competitor since its launch,” said Ray Bierzynski, executive vice president of SGMW. “With its superior quality and good reputation, we expect

products from the Baojun family to win in overseas markets as well."

General Motors traces its roots back to 1908. GM has 12 joint ventures, two wholly owned foreign enterprises and more than 58,000 employees in **China**. GM and its joint ventures offer the broadest lineup of vehicles and brands among automakers in **China**. Passenger cars and commercial vehicles are sold under the Baojun, Buick, Cadillac, Chevrolet, Jiefang, Opel and Wuling brands. In 2012, GM sold more than 2.8 **million** vehicles in **China**. More information on General Motors in **China** can be found at GM Media Online.

(
http://media.gm.com/content/media/cn/en/gm/news_details.html/content/Pages/news/cn/en/2013/Oct/Baojun_Sale_s.html)

JAC Motors

About Us

JAC has been a comprehensive automaker with full-line independent brand vehicles in **China**, including light, medium and heavy-duty trucks, MPV, SRV, sedan, bus chassis, buses, engineering machinery, engines, gearboxes and other key components. After more than 40 years of development, JAC has achieved an annual production capacity of more than 700,000 units completed vehicle and 500,000 units engine and ranked as the top 10 in **Chinese** auto industry.

JAC owns a national-level Research and Development (R&D) Center in Hefei. The **company** opened **China's** first overseas R&D Center in Turin, Italy, in June, 2005, and a second one in Tokyo, Japan, in October, 2006.

JAC is dedicated to strict quality control and constant management improvement, because of which, JAC has been awarded as "Recommended Brand for Export", "The Most Competitive Brand in Market", "Enterprise for Exemption from Export Inspection", "National Quality Award" respectively by **China** Chamber of Commerce for Import & Export of Machinery & Electronics Products, The Ministry of Commerce, General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of **China** and **China** Association for Quality successively, marking that JAC products' quality and management had reached the international advanced level.

In 2011, JAC has achieved more than 20 years quickly growth, and sold all kinds of vehicles approximately 470,000 units with growth of 5.4% year-on-year, among which the exports were about 70,000 units, up by 207%. In the first half year of 2012, JAC has sold all kinds of vehicles more than 226000 units and the export products have played a very important role in the relevant market segments. JAC has been the country's largest bus chassis producer for 18 consecutive years. As a light commercial vehicle leading manufacturer in **China**, JAC has been No. 1 in export sales of for 11 consecutive years. The sales of JAC heavy-duty trucks achieve the fastest growth rate.

JAC MPV has won the prize of "Best MPV of the Year" and kept the No.1 sales for many years. Only one year since launched into the market, the sales of JAC A-class car have made a breakthrough of 60,000 units, becoming the sales champion among the new cars of the same class launched into the market within one year. Owing to the exceptionally quality, JAC A-class car received the premium compact segment awarded by the Global Authoritative Auto Testing & Evaluating Organization J.D power and it is the only independent brand that got the highest score in APEAL Index Ranking. JAC B classes is honored as the "The Most Beautiful Automotive Modal in This Decade" by PININFARINA Company in Italy, and pass through C-NCAP five- star crash test with marvelous results. In 2011.JAC B-class car was honored as "The Best Medium-Size Sedan 2011". 2.0L TCI engine and 1.3L VVT engine has respectively won "Chinese Top Ten Engines" in 2009 and 2010.

<http://jacen.jac.com.cn/About-JAC/Introduction.html>

Research and Development Facility

JAC Technology Centre is an accredited enterprise technology centre in China, consisting of Commercial Vehicle Research Institute, Passenger Car Research Institute, Power Research Institute, Technology Engineering Research Institute, Product Management Division, IT Support Division, Integrated Management Division, etc. Establish the overseas "JAC Italy Design Center" and "JAC Japan Design Center", and form auto models design, structure design and power assembly design overseas support system. The Centre, equipped with advanced R&D instruments and facilities, holds an excellent R&D team featuring reasonable structure, spirits of innovation, and loyalty to the enterprise. An independent R&D team has been formed at JAC, the global resources being integrated to build its R&D system by means of market orientation, introduction, absorption, innovation, re-innovation, integrated innovation, and application innovation, fostering JAC's own independent R&D capability.

JAC boosts commercial vehicle, passenger car, and power train R&D actively. Through the introduction of high-level vehicle design and technical experts, we have achieved a great deal of excellent accomplishments in terms of complete vehicle, engine, automatic transmission and chassis. Until now, JAC R&D center has completed its lineup with van, light-duty truck, medium-duty truck, heavy-duty truck, MPV, SRV and passenger car. We independently developed 1.3, 1.5VVT, 2.0T, 2.4CBR gasoline engine; diesel and automatic transmission is in the stage of test.

<http://jacen.jac.com.cn/About-JAC/Innovation-1.html>

JAC Staged Its Appearance in 2013 China (Macau) International Automobile Exposition

On Nov.1st, 2013, the third China (Macau) International Automobile Exposition kicked off in Cotai Expo, the Venetian Macau.

As one of the leading independent automobiles in China, JAC staged itself in this exposition with seven

automobile models covering its main passenger vehicles and commercial vehicles to display its newest achievement contributed by the strategy of "Quality Creates Brand".

The largest shining points in JAC booth were JAC S5 and J4 both of which were JAC MPV and **B**-class car 2.0 era products.

Integrating global resources to build the world-class car, JAC S5 has combined international first class as well as **Chinese** leading manufacturing craft and technology. It is an intellectual cross SUV with European SUV manufacturing standard.

505 L extra-large trunk and 210mm minimum ground clearance which is the largest among SUV guarantee S5's spacious room and high passing ability; Equipped with 2.0T+6MT powertrain, it is powerful and environmental friendly; Furthermore, JAC S5 is the only **Chinese** SUV with EPS electronic power steering system, providing considerate security guarantee during the whole journey.

Due to the design demands from customers' demands, JAC S5 is called "City SUV New Benchmark".

J4 is JAC first sedan of JAC passenger vehicles 2.0 era and is a high quality product elaborately created by JAC. J4 was developed on JAC newest JQ21 platform, with the outstanding advantages of high quality, exceptional configuration, superior security, large space, big trunk and low emission. Its start and acceleration are smooth with 5.9L per 100 fuel consumption. Moreover, J4 owns the only CCS(Common Channel Signaling)among the same class cars, and it is combined with entertainment and information technology.

In the security, J4 is equipped with 6 airbags, pre-tension security belt, CCS, TPMS (Tire Pressure Monitor System), anti-glare rearview mirror to ensure all-round security protection for the passengers.

In the body dimension, J4 is 4435*1725*1505mm and its wheelbase is 2560mm, whose space is superior to the rest same class cars. Besides, J4 owns the largest trunk space with the volume of 550L, fully meeting the demands of family travelling.

With the brand announcement of "Love My Love", J4's advanced research conception and products advantages overawed the public, and received more than 2000 units of orders in the first pre-**sale** month.

JAC high-end light truck N series is the biggest shining point without a doubt. Based on high-end logistic market demands, this truck has integrated global resources, world-advanced design conception and the most advanced technology platform, and it is a world-class light-duty truck with JAC 50 light-duty truck making experience.

Compared with traditional light-duty trucks, JAC high-end light truck N series are equipped with ABS+EBD, which are the first among the same class trucks; moreover, it is the first light truck which passed the complete vehicle security crash test in **China**.

Carried 4DA1 engines or Cummins engines, with Germany Bosch high pressure common rail, JAC N series have strong power, low fuel consumption, low emission and low speed with high torque. Moreover, JAC has optimized the chassis suspension system, greatly improving the loading ability and passengers' seating comfort. In this composition, JAC has brought both left-hand and right-hand N series to fully meet the demands of customers from different countries, representing the highest level of **Chinese** manufacturing industry.

Besides, J6 2013 Version which has greatly improved itself in interior trim also attended this exposition, M5-JAC high-end MPV as well as JAC heavy truck 6*4 also appeared in this exposition.

Quality Creates Brand, Innovation Achieves Development. During the first three quarters of 2013, JAC has sold all kinds of vehicles nearly 400,000 units, up by 15.65% compared with last year with clear profits of more than 100 **million**, increased by 80%, among which 47,100 units are exports, up by 6.24%, the growth rate of which were far ahead of JAC other automobile enterprises. JAC will adhere to the quality road, quality prior to scale, and create brand with quality, so as to take the **lead** in realizing the span from Made in **China** to **Chinese** Brand.

(<http://jacen.jac.com.cn/article/20131105/75104034.html>)

History

Refer to the link given :

(<http://jacen.jac.com.cn/About-JAC/History.html>)

PSA Peugeot-Citroen**China** (Paris: UG)

The Group in **China**

The **Chinese** automotive market is one of PSA Peugeot Citroën's priority development regions. It has been the world's biggest car market since 2009 and recorded growth of 7.2% in 2012. It is also PSA Peugeot Citroën's second-largest market.

PSA Peugeot Citroën vehicle sales grew 9.2% in 2012 – outperforming the market trend – to a total 442,000. The Group's market share was 3.5%.

A high-potential market for the Group

With the vehicle ownership rate standing at just 50 vehicles per 1,000 inhabitants, growth potential in the country is enormous. The Group is rolling out all the resources necessary to continue winning new customers in the market, where it is targeting 500,000 sales in 2013 for a 4% share of the market. To meet that objective it is renewing its models and extending its vehicle ranges in the most important market segments in **China**.

Accelerating development

The Group is developing its presence in **China** through two joint ventures*.

The first, Dongfeng Peugeot Citroën Automobile (DPCA), was set up in 1992 with the **Chinese** group Dongfeng and further strengthened by a partnership agreement in 2010. It possesses two brands: Dongfeng Peugeot and Dongfeng Citroën. With DPCA, the Group took a 3.5% share of the market in 2012 and is aiming for 5% in 2015.

The Group formed a second joint venture in 2011, Changan PSA Automobile (CAPSA), with its partner Chang'an. CAPSA has been selling imported vehicles since June 2012 and will market DS line models built locally starting in second-half 2013. DS is set to become a distinct brand in the country with an overall long-term of 3% market share.

Products that meet market expectations

The Group has what it takes to succeed in **China** with its recent launches that meet local expectations in the mainstream market as well as in the premium market, which is growing fast in the country.

The development of the dealership network is set to grow considerably. The process began with the inauguration in Shanghai in spring 2013 of the DS World, the brand's institutional showcase symbolising the DS offensive in **China**. The number of DS stores is to increase from 26 to 70 by end-2013.

The number of Dongfeng Peugeot and Dongfeng Citroën dealerships is also on the rise. By the end of 2013 a full 80% of the country's major cities will be covered by the two brands with 2,400 points of **sale**.

In **China**, Dongfeng Citroën produces and sells the Citroën C2 **China**, C-Quatre hatch and three-box, C-Triomphe, C5 and C4L. Dongfeng Peugeot produces and sells the Peugeot 207 three-box, 408, 307 (hatch and three-box), 308 three-box, 508 and 3008. In second-half 2013 the Group is launching the Citroën C-Elysée and Peugeot 301 to win new customers and strengthen the current range.

With CAPSA, in 2012 the Group launched the DS line in **China** as a premium brand, importing the DS3, DS4 and DS5. Local production will start up in second-half 2013 with the DS5, to be followed by future models in the DS range.

Local research and development

Based in Shanghai, the Group's Asia Department, the direct contact for the two joint ventures, is positioned as close as possible to the market and its customers. It is responsible for all PSA Peugeot Citroën activities in **China** and in the other countries of the Asia region.

Local research and development capacity was reinforced in 2008 with the creation of the **China** Tech Center (CTC), the first PSA Peugeot Citroën R&D and styling centre located outside Europe. Based in Shanghai, the CTC will soon have 1,000 engineers, designers and technicians tasked with developing vehicle, component and styling projects factoring in the specific expectations of the **Chinese** market. The Center works closely together with all the Group's R&D centres

and since December 2012 with the R&D centres of DPCA and CAPSA, which have over 1,000 engineers and technicians. It was the teams at CTC that developed the Citroën Metropolis concept car in 2010 and the Peugeot SXC concept car in 2011. In July 2008 the CTC and the Automotive Institute of Tongji University in Shanghai signed a cooperation agreement aimed at providing young automotive engineers with professional opportunities and teaching for professors by PSA Peugeot Citroën. The agreement also paves the way to shared research projects.

An expanding production base

With DPCA, the Group has three production sites in **China** at Wuhan together with a powertrain plant in Xiangyang. With CAPSA, the Group will have two production sites in Shenzhen, set to start production in second-half 2013, and a powertrain plant currently under construction. It will also have an R&D centre, equipped with a test centre and a test track.

All activities combined, over 23,000 people work for the Group in **China**.

Proactive policy on clean vehicles

In 2009 the Group announced that it would reduce the CO2 emissions of its vehicles to 95 g/km of CO2 by 2020, in line with the European objective planned for the same date. The announcement came in the context of the Copenhagen Summit on greenhouse gas emissions reductions, at which **China** made some strong commitments. The Group will meet its ambitious objective through a range of technologies, each one providing a customer advantage while contributing to the reduction of CO2 emissions:

the launch of 6 new petrol engines by 2020,

a new generation of automatic gearboxes,

the plug-in petrol hybrid,

electric vehicles

Recognised social commitment

Beyond its industrial and commercial development, PSA Peugeot Citroën has initiated dialogue in **China** on the challenges posed by the extremely rapid development of the automotive market. The Group is focused on three main issues: **energy** and the environment, urban mobility and road safety.

As part of this approach, PSA Peugeot Citroën joined forces, in 2001 for 5 years, with All-**China** Women's Federation to promote a nationwide campaign. The campaign, entitled "Green Life, Low Emissions", was aimed at informing and increasing the responsibility of three-to six-year-olds in terms of environmental protection from the standpoint of future mobility. Launched in Beijing, Guangzhou and Shanghai, the campaign was extended to Wuhan and Shenzhen in 2012 and reached over 800,000 children and their families. It has won the Price "**China**'s Best Corporate Citizenship Award 2012", organized by 21st Century

Business Herald, for its contribution to the sustainable development.

Another significant initiative concerns the Couleurs de **Chine** organisation, which works to bring young girls from **Chinese** minorities access to education. Because the teaching establishments of the organisation are located far away from each other in a rural area (Guangxi Province in southern **China**), the Foundation donated a minibus to transport the girls.

Furthermore, the Group has won a number of awards for these initiatives from several other local institutions.

(
<http://www.psa-peugeot-citroen.com/en/group/the-group-in-china-article>)

Our Brand

Peugeot – Motion & Emotion

In 2012, Peugeot continued its strategy to move upmarket and expand internationally with five major product launches: the latest in the 200 line, the Peugeot 208, HYbrid4 3008, 508 RXH and 508, and the Peugeot 301. Against a backdrop of contrasting automotive markets and a downtrend in Europe, the Marque sold 1.7 **million** built-up vehicles in 2012, of which more than 39% on international markets.

With 60 **million** vehicles sold worldwide since its founding, the Peugeot brand consolidated its position as Europe's fourth-ranking brand in 2012. Peugeot is the world's only manufacturer to market a complete mobility offering with passenger cars and LCVs, scooters, bicycles and a wide range of services including the Mu by Peugeot mobility solution.

International expansion: significant acceleration in **China**

In 2012, Peugeot continued to increase the proportion of sales made outside Europe, with 611,000 vehicles billed. The brand saw sales grow to 216,000 vehicles in **China**, a rise of 24%. The launch of the 408 contributed to this performance. At the same time, Peugeot almost doubled billings in Algeria, with 66,000 vehicles sold. The 301, a new sedan built at Vigo and designed to meet the needs of a target customer base in growth markets, was warmly welcomed in the countries where it was launched in autumn 2012 (including Turkey, Central and Eastern Europe, and Algeria). The objective is to sell 150,000 units over a full year. In 2013, Peugeot is strengthening its position as a "top-end" manufacturer with a wide range of products and international reach. In addition to the chic and sporty 208 GTI and XY, Peugeot is expanding its **B**-segment line-up with a new urban crossover, the 2008, and the new Peugeot 308. At the same time, it is launching the 3008 in **China**, the 208 in South America, and the 408 in Russia.

The Peugeot 208, launched in March 2012, has already been built in more than 300,000 units. It was No. 1 on the European **B**-hatchback segment in December 2012, then in January and February 2013. At end-2012, 221,000 Peugeot 208 models had already been sold.

A successful move up market

In 2012, Premium vehicles accounted for 18% of Peugeot sales. The 508, including HYbrid4 versions, sold 121,000 units, particularly in Europe and **China**. The 3008/3008 HYbrid4 crossover attracted 109,000 buyers. Peugeot also delivered 9,000 examples of the 4008 SUV launched in spring 2012. The high-profile RCZ sports coupé sold 11,000 units in 2012, with production topping the 50,000 mark in February 2013. With almost 40% of sales concerning the higher trim levels, the 208, launched in March 2012 and built in France and Slovakia, is also contributing to the move upmarket. At end-2012, the heir to the saga of the Peugeot 2 series had already notched up 221,000 sales since launch and picked up awards in a number of countries including the UK, Spain, Ireland and Italy. It was also a finalist in the European Car of the Year 2013 awards.

Launch of the Peugeot Design Lab

Building on more than 200 years of industrial design, Peugeot launched the Peugeot Design Lab - a design studio for customers outside the automotive industry- in 2012. One of the studio's first projects was the revolutionary Peugeot Design Lab piano for Pleyel.

Environmental expertise

The Brand continued to reduce the ecological footprint of its vehicles. Peugeot vehicles had average CO2 emissions of 129g/km at end-2011, compared with 131.6 in 2010, taking the brand below the 130g/km target set by the European Commission for 2015. The main focus of the Marque's environmental policy is to continuously optimize its combustion engines through downsizing, but also to develop new-generation engines such as the EB petrol engine family (three-cylinder 1.0l and 1.2l), with low consumption/emissions.

The first units were fitted on the 208 in 2012. Diesel hybrids are the other main focus of Peugeot's environmental commitment: micro-hybrid technology through the new-generation e-HDi Stop & Start system launched at the start of the year, and now available on the 308, 3008, 5008, 508, Partner Tepee and - soon - on the 208; and full hybrid technology in 2012 with the HYbrid4 drive train, available on three Peugeot models: the 3008 HYbrid4, 508 RXH, and 508 HYbrid4 saloon. The third area of focus is electric cars in and around the city. After one year on the market, the Peugeot iOn - the first new-generation vehicle in Europe - has enabled Peugeot to strengthen its historic position as a pioneer in this field. Peugeot Scooters launched an electric scooter, e-Vivacity, in 2011.

(
<http://www.psa-peugeot-citroen.com/en/our-brands/peugeot/peugeot-motion-and-emotion>)

Citroen - Creative Technology

Creative and bold, Citroën is on the march and clearly signalling its strategy of moving the model range mix up market, with increasingly attractive and innovative products and services. Its dynamic attitude has allowed

the brand to double its unit sales in a decade and expand strongly in the international market in recent years. In just the last three years, the percentage of Citroën sales made outside Europe has increased by ten points.

The DS line, which hit the market in March 2010 with the DS3, followed by the DS4 in May 2011 and the DS5 in 2012, has been a resounding success. So far, 135,000 DS3s have been sold and 30,000 DS4s have been ordered. Glowing reviews from the trade press and consumers for the DS5 point to a very promising future. This performance, along with the almost complete renewal of the line-up over the past three years, supports the brand's efforts to move the model range mix up market. The C3 is Citroën's highest selling model. With sales rising at a faster pace than the booming markets in most of the emerging economies, Citroën is pursuing its international expansion by making new investments in Russia, Latin America and **China**, where a second joint venture has been set up to manufacture and market the new DS line.

Drawing on its Créative Technologie positioning, the brand has built a line-up with a particularly attractive environmental profile and a number of green features as standard equipment. The DS5 HYbrid4, introduced in 2012, benefits from the brand new diesel-electric technology, which offers both performance (200 hp, 4-wheel drive) and low carbon emissions (99 grams per kilometre). This new launch comes on the heels of the C-Zero and Berlingo First full electric vehicles and the extension of micro-hybrid e-HDi technology across the range, which reduces CO2 emissions by up to 15% in intercity driving. Citroën also expresses all of its creativity in services, with the innovative Citroën Multicity web portal to facilitate travel; the WRC-inspired Citroën Service Racing, which allows customers to have their vehicles serviced in under an hour; and a full range of contracts that have won over 25% of the brand's European customers.

The Citroën DS5

Is the first Citroën to feature HYbrid4 technology, with a full-hybrid powertrain combining the road performance of an HDi diesel engine and the efficiency of an electric motor. This thoroughly enjoyable hybrid offers a dynamic driving experience—thanks to its 200hp engine, four-wheel drive, electric mode for city driving and acceleration boost—as well as very low CO2 emissions (99 grams per kilometre).

Creative Technology

Citroën C5

Citroën's exclusive Hydractive suspension system manages the suspension system and ride height in real time in response to road and driver inputs to offer a unique combination of agility and comfort. In addition to maintaining constant clearance no matter what the load, the system automatically lowers the body at high speed to improve aerodynamic performance and reduce CO2 emissions.

Citroën Multicity

Citroën DS4

Users can hire a car at ultra-competitive rates or plan a trip with ease. All they have to do is enter the departure and arrival addresses and Citroën Multicity does the rest, providing all the possible itineraries and means of transport, from bicycle to car and from bus and subway to train, plane or boat. Thanks to the compare function, users can also select their solutions based on rates, travel time or CO2 emissions. Citroën Multicity puts tickets, travel packages and weekend getaways just a few clicks away.

(
<http://www.psa-peugeot-citroen.com/en/our-brands/citroen/citroen-creative-technology>)

Third-Quarter 2013 Consolidated Revenues - On-going implementation of the turnaround plan.

Within a European market in process of stabilisation at a low level, the third quarter of 2013 for the group PSA Peugeot Citroën was impacted by the pricing policy, the interruption in Citroën C3 production and pressure on market shares in Europe. In addition, the Group was affected by a sharp deterioration of exchange rates.

In this challenging environment, the Group continued to implement its turnaround plan, with:

The successful launches of the new Peugeot 308 and Citroën Grand C4 Picasso during the 3rd quarter, following those of the first-half (Peugeot 2008, 208 GTi and XY, 301 and the new Citroën C4 Picasso, C4 L, C-Elysée and DS3 Cabrio)

Further progress in the globalisation strategy. Sales outside Europe accounted for 42% of total volumes at the end of September, with strong performance in **China** where sales were up 28%. However, the Brazilian and Russian markets remained under pressure, compounded by exchange rate variations

Progress in the industrial and commercial restructuring plan covering 8,000 job positions in France is in line with objectives, with 6,650 applications submitted for an internal or external placement by end of September. The "New Social Contract", which is in advanced stage of negotiation, will complete this restructuring plan, which aims to support the Group's competitiveness of its French manufacturing base

Implementation of the Alliance with GM:

first results of the Joint **Purchase** Organisation and the announcement of manufacturing of **B**-MPVs on a PSA Peugeot Citroën platform at the General Motors plant in Zaragoza, Spain

B-common platform project is under review

Third-quarter 2013 revenues

Group revenues of €12.1 **billion**, down 3.7% compared with third quarter 2012

Automotive Division revenues of €8.0 **billion** down 5.8% year-on-year, in a challenging operating environment

with unfavourable exchange rates and European market mix

Revenues up 0.8% at Faurecia to €4.1 billion and a 5.1% decline in revenues at Banque PSA Finance, reflecting lower European volumes

Outlook for 2013

The Group expects automotive markets to decline by some 4% in Europe in 2013; in China the market should grow by approximately 14% and by 2% in Latin America. Russia is expected to decline by 7%¹.

In this environment, the Group confirms its objective to reduce its operational free cash flow² consumption at least by half in 2013 and confirms the announced trend of very significant reduction throughout 2014.

AUTOMOTIVE DIVISION

Sales of assembled vehicles outside Europe accounted for 42% of total unit sales at the end of September 2013, compared with 36% in 2012.

Automotive Division revenues declined by 5.8% in the 3rd quarter 2013 to €8,030 million from €8,523 million in the 3rd quarter 2012. Worldwide sales of vehicles totalled 610,400 units in the third quarter, down 2.4% and 2,070,500 units in the first nine months, down 1.5% compared with the same period in 2012. This reflects volumes contractions in Europe, Brazil and Russia, partially offset by strong growth of volumes in China, Argentina and the Mediterranean basin.

Revenues from new vehicles sales amounted to €5,518 million compared with €6,125 million in third-quarter 2012. This 9.9% decline was primarily due to the sharp -7.3% drop in assembled vehicle sales outside China, reflecting an unfavourable market mix, the Group pricing policy and growing pressure on market shares from premium and low cost brands in Europe. It also reflects the -5.0% very negative currency effect, mainly attributable to the Russian rouble, Brazilian real, Argentine peso and British pound. The impact of changes in market mix was a negative by -0.3%.

Change in product mix by -0.3% in the third quarter is temporarily impacted by the replacement of the new Peugeot 308 and the progressive ramp up of the Peugeot 2008. Product mix increased by +0.4% by end of September and should also increase in the fourth quarter, particularly thanks to new product launches.

These adverse effects are partly offset by a +1.2% positive price effect, illustrating the Group policy, in a market context of increasingly aggressive competition.

New vehicle inventory amounted to 408,000 units at the end of September, down 63,000 from end of September 2012, in line with targets. The Group confirms a highly disciplined approach to inventory management.

In the third quarter, the Group launched two transactions. The first was a €600 million bond issue carried out on 10 September to coincide with the repayment of existing debt facilities, which generated net proceeds of €300 million and also extended to 2019

the maturities of facilities originally falling due in the next five years. The second transaction concerned the signature of a €300 **million** loan agreement with the European Investment Bank (EIB).

Capital expenditure continued to be focused on priority projects. Capital expenditure and capitalized R&D costs were down by €764 **million** in the first half of the year compared with the same period last year. This reduction will continue but at a slower pace in the second semester.

GEOGRAPHICAL HIGHLIGHTS

Europe

The European automotive markets grew by 2.5% in the third quarter of 2013, with wide country variations still apparent:

The UK market grew by 12%, the Spanish market expanded by 9%, marking the end of several years of steep decline, and the markets in Central and Eastern Europe gained 6% overall during the quarter.

By contrast, the Italian market contracted by 4% and the German and French markets decreased by 1%.

In this environment, the Group's market share in Europe narrowed to 11.9% in the first nine months compared to 12.7% in 2012, due to the Group pricing policy, to impact of interruptions in Citroën C3 production, as well as to continuous pressure from both premium and low cost brands that have benefitted from increasing market shares since 2007.

PSA Peugeot Citroën maintained its leadership in the light commercial vehicle market up by just 0.9% over the quarter, with a 20.8% share in the third quarter 2013 compared with 20.2% in 2012.

China

Group sales in **China** increased by 28.5% over the first nine months, to 403,000 units and the market expanded by 17%.

The Group market share amounts to 3.7% by end of September 2013, reflecting expansion of the distribution network and the successful launches of the Peugeot 3008 and Citroën C4L, to be continued in the fourth quarter by the Peugeot 301 and the Citroën C-Elysée.

Following inauguration of the third manufacturing facility in Wuhan on 2 July, DPCA's production capacity would reach 750,000 units in 2015.

CAPSA, the second **Chinese** joint venture, has been selling the DS range since the beginning of the year and a new manufacturing facility was inaugurated with the joint venture partners in Shenzhen on 27 September, starting the local production of the DS5. By 2015 the Group's production capacity in **China** would represent 950,000 units.

Russia

The Russian market continued to decrease, and contracted by 7.8% in the third quarter (-6.5% in nine months). In this declining market exposed to considerable competitive pressure, Group sales fell by 23.1% over nine months, representing a 2.3% market share at the end of September.

The negative change in the rouble exchange rate impacted Russian operating income.

Latin America

Group sales in Latin America declined by 6.3% to 77,000 units in the third quarter, representing a 5.0% market share.

Sales for the first nine months rose by 9.4% to 222,400 units, representing a 5.0% market share.

In Argentina, the Group continued to expand its presence, launching the Peugeot 208 and Partner and the Citroën C3 and Berlingo. 38,500 units were sold in the third quarter, representing a 18% increase over the year-earlier period and a 16.0% market share. Sales for the first nine months represented 106,300 units.

The Brazilian market contracted by 10% in the third quarter and by 1% over the first nine months. Group sales in this market fell by a sharp 30% to 29,500 units in the third quarter (90,800 units sold for the first nine months). The negative variation in the real exchange rate had also a very significant impact on Brazil's operating income.

PRODUCT HIGHLIGHTS

Worldwide sales of Peugeot 208 reach 253,000 units by end of September. Peugeot 208 is in the top 3 of **B** segment sedan in Europe. The strategy of taking the Brand upmarket had a positive impact on the product mix, with levels 3 and 4 now accounting for 30% of sales, supported by the recent range extensions with the launch of the GTi and XY versions of the Peugeot 208. The Peugeot 208 was launched during the first half of the year in Russia, Brazil and Argentina.

The Peugeot 208 launched in May has been very well received, with 35,000 units registered and 54,400 units ordered at end-September, well ahead of objectives. To keep pace with the model's success, the Mulhouse plant has operated an additional shift since mid-September.

A total of 28,800 customers have already ordered the new five-seat and seven-seat Citroën C4 Picasso introduced in June and September respectively, with high trim level, above 60% of them choosing the 3+ versions.

The new Peugeot 308 was launched in September in France and in Germany, to coincide with the Frankfurt Motor Show. This is the second vehicle based on the new EMP2 platform. Weighing 140kg less than its predecessor and featuring the new Peugeot design, it will support the Group's aim of ranking among the three best-selling models in the segment. The Peugeot 308 will be gradually launched in other European markets by early 2014 then will be sold in Latin America, **China** and Russia.

The strategy to move the Peugeot and Citroën brands up market continued apace in the third quarter, with premium models accounting for 19% of consolidated sales at the end of September, versus 18% in the same period of 2012. The four diesel hybrid models (Peugeot 3008HY4, 508RXH, 508HY4 and Citroën DS5HY4) contribute to the Group's technological advance and reduction of average rate of CO2. They account for over 30% of Citroën DS5 sales, 16% of Peugeot 508 sales and more than 10% of Peugeot 3008 sales.

GROUP HIGHLIGHTS

The Group continues the negotiation of the "New Social Contract", which will complete the current restructuring plan. Its objective is to support the Group's competitiveness of French manufacturing base. This negotiation is in final stages and will be presented to the Comité Central d'Entreprise on October, 24th. Four unions have announced their intention to sign this agreement.

In the third quarter of 2013, PSA Peugeot Citroën and General Motors announced their project to manufacture the two groups' B-MPVs at the General Motors plant in Zaragoza, Spain, on a PSA Peugeot Citroën platform. This is the first project resulting from the global alliance signed in December 2012. The vehicles will come to market in late 2016. Projects are underway for the development of C-MPVs and cross-overs. The joint purchasing organization has its first results, with savings of around €60 million this year.

The project of development of a new joint platform for B segment models with GM is under review as well as the relevant terms of the development agreement. As a result, the announced mid-term synergies (\$1 billion for PSA) may be readjusted downwards. New initiatives are under consideration.

FAURECIA

Faurecia reported revenues of €4,117 million for the third quarter of 2013, an increase of 0.8%. This increase is driven by revenues related to Monolith sales and to Development, Tooling & Prototype, with respectively +10.8% and 20.2%,. Revenues from product sales were down 2.7% to 3,129.9 M€, with unfavorable change in exchange rates. These revenues were down 1.4% in Europe, 13.4% in North America, and rose by 21.4% in South America and by 4.4% in Asia.

BANQUE PSA FINANCE

In a context of declining sales in Europe (-9.6% on markets where Banque PSA Finance operates), number of contracts represents 174,000 units, down -9.4%, as compared to third quarter 2012. Commercial performance remains very dynamic, with a 29.5% penetration rate on new vehicles, among the Group customer.

Banque PSA Finance's revenues is at €447 million (-5.1%) in Q3, the loan book amounts to €21.4 billion at end of September, down -9.9% (-6.7% related to final client balance).

Lastly, the success of Distingo passbook, which was launched in March 2013, is confirmed with a level of collected savings largely above targets. End of year outstanding objective should be achieved, or exceeded if momentum continues.

(
<http://www.psa-peugeot-citroen.com/en/media/press-releases/third-quarter-2013-consolidated-revenues-on-going-implementation-of-the-turnaround-plan>)

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RE	china : China austr : Australia beijin : Beijing guang : Guangdong jilin : Jilin sichu : Sichuan apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia
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