
China National Bureau of Statistics and Sinotrust Jointly Release '2009 Q4 China Automotive Industry Climate Index'

China Automotive Industry Climate Shows Signs of Heating Up

Beijing, January 28, 2010----The China Economic Monitoring Center of the China National Bureau of Statistics and Sinotrust jointly release the "2009 Q4 China Automotive Industry Climate Index."

1. The Comprehensive China Automotive Industry Climate Index registers 102.0 points

The China Automotive Industry Climate Index records 102.0 points in the fourth quarter of 2009 (2001=100), up 2.4 points over the third quarter, which indicates that the automotive market keeps growing. Under the influences of the preferential purchase tax policy, which expired at the end of 2009, and the seasonal fluctuation, the automotive industry continues to expand and prosper in production and sales. This trend is demonstrated by the significant increase in sales revenues and profits, the decrease in deficit and finally by the reduced number of companies running in the red. At the same time, the auto and spare parts export sector is also showing signs of recovery, however, the production and inventory begin to show symptoms of surplus.

2. The Pre-warning Index of China Automotive Industry records 116.7 points

The Pre-warning Index is an important indicator reflecting the climate of the auto industry. In Q4 of 2009, the indicator reached 116.7 points, 26.7 points higher than in Q3, showing a recovery trend in the three consecutive quarters.

Referring to the chart division of the Pre-warning Index, the index in Q4 is located in the borderline of the "Green Zone" and the "Yellow Zone," approaching a record high in history. This indicates that the industry climate shows signs of heating up. Since the leading indicators record a slight decline, it is estimated that there is only a small chance for the Pre-warning Index to enter the "hot zone."

3. The Entrepreneur Expectation Index of China Automotive Industry registers 127.0 points

The Auto Industry Entrepreneur Expectation Index reflects automakers' perception of the current market situation as well as their future anticipations. The index registers 127.0 points in Q4 of 2009, down 0.5 point from Q3, showing that entrepreneurs have strong faith in the market of early 2010, but are not as optimistic as in the previous quarter.

4. The Dealer Manager Index of China Automotive Industry registers 114.4 points

The Dealer Manager Index demonstrates dealers' perception of the current market situation as well as their future anticipations. The index registers 114.4 points, indicating that dealers are optimistic about

the market. However, the index is 3.0 points lower than in Q3, showing that dealers' confidence in the future market development is somewhat undermined.

In summary, the following trends were observed during the survey: First, the index of Q4 continues to rebound. Secondly, keeping the positive changes from the previous quarter, some indicators including production, export, sales, profit, tax, etc., all improve to different extents. The number of automakers running in the red is reduced and the total loss amount keeps dropping. Thirdly, the production volume of automobiles is experiencing a rapid growth; the capital occupation rate for finished products is rising and the inventory level begins to increase. Finally, entrepreneurs and dealers show optimism in the future market development, but less than in the previous quarter.

Stimulated by a set of policies in 2009, the auto industry goes back to a track where both production and revenues are increased. The auto market in China is experiencing an overall recovery and witnesses a transformation from a structural growth to an all-around growth. In the meantime, the growth power that was driven by policies alone is now driven by both policies and economic growth.

Forecast of the Climate Index of China Automotive Industry in the First Quarter of 2010

The Pre-warning Index has reached the borderline of the "Yellow Zone;" the production volume is experiencing an excessive growth; the inventory begins to swell; and the auto industry climate is heating up.

According to the Q4 survey results, the auto industry climate shows a strong sign of recovery; the auto production and sales continue to increase significantly; the pre-tax profit keeps improving; and the situation in the auto and spare parts export market turns better.

Since the Chinese government keeps on offering several preferential policies in 2010, customers' enthusiasm in car-purchasing will continue to last for a certain period of time. The first quarter of 2010 will follow the strong momentum of 2009; however, the pace of market growth will slow down. It is worth noticing that the Pre-warning Index has reached the borderline of the "Yellow Zone"; the production volume is increasing excessively; the inventory begins to swell; and the auto industry climate is heating up.

According to the survey results, entrepreneurs and dealers show a strong confidence in the auto market in Q1 of 2009, but they are less optimistic than in the previous quarter.

According to the Entrepreneur Expectation Index survey results, most of the respondents indicate that they will continue to make efforts on vehicle production. The respondents who report that the production volume will significantly increase and slightly increase account for 33.3% and 11.1% respectively; 33.3% of them report that the production volume will stay stable; and the remaining 22.2% report that the production volume will decrease. In terms of export orders, more than 60% of the interviewed entrepreneurs report that the orders will increase; most of the respondents believe that the situation of

vehicle export will continue to improve, along with the recovery of the international economy.

The Dealer Manager Index shows that auto dealers hold an optimistic attitude towards Q1 of 2010, but they are less confident than in Q4 of 2009. 19.5% of the respondents believed that the business condition of Q4 of 2009 was “very good,” but this proportion has decreased by 8.0% in Q1 of 2010. The proportion of the respondents reporting that the business conditions will be “good” has decreased from 48.1% to 43.3%, and the proportion of those who believe that the business conditions will be “average” has increased from 29.2% to 42.2%.

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About China Automotive Industry Climate Index

The China Automotive Industry Climate Index is developed jointly by the China Economic Climate Monitor Center of the National Bureau of Statistics of China and Sinotrust at the beginning of 2009. The index gives a quantitative description of the development trends of the auto market in China.

The quarterly-issued China Automotive Industry Climate Index consists of the Comprehensive Climate Index, Pre-warning Index, Entrepreneur Expectation Index, Dealer Manager Index and Buying-power Index, based on which, the Reports for the Research on China's Automobile Industry Climate is compiled to analyze the reasons and trends of climate changes, estimate industry development period, identify the peak and bottom of industry development, and give pre-warning signals. All this paves the way for national macroeconomic control over the auto sector and the creation of production and sales plans by automakers and guides the sound development of China's auto industry with its accurate and most-up-to-date information.

About Sinotrust Automotive Marketing Solutions

Sinotrust is a leading supplier of marketing solutions to the Chinese automotive market. With offices in Beijing, Shanghai and Guangzhou, we have a team of over 200 skilled professionals devoted to our automotive marketing solutions. Our Automotive Marketing Solutions integrate information, services and technology to provide marketing research services, marketing consulting & business strategy services and database marketing services, helping automotive companies position their products correctly, identify target markets accurately and conduct effective marketing so as to develop sustainable and profitable customer relationship.

About Sinotrust

Sinotrust is a leading supplier of marketing solutions and credit solutions in China. We collect, analyze and manage information about markets, consumers and businesses to provide marketing research, business information, consulting and database marketing services through integration of information, services and technology. Our products and services help you make better marketing and credit decisions and develop profitable customer relationships.

Over 80% of the Fortune 500 companies operating in China are using different products and services of ours. We employ about 1,000 people in our offices in Beijing, Shanghai and Guangzhou, supporting organization clients from automotive, financial services, insurance, retail, telecommunications, IT, manufacturing, consumer products and trade sectors.

At the beginning of 2007, Experian, the global leader in providing information, analytical and marketing services, made a strategic investment in Sinotrust with both capital and know-how. The investment will greatly improve our service capabilities.

Sinotrust was Exclusively Interviewed by Imp-Exp Executive to Detail the Urgency of Credit Risk Management

As indicated by Vicky Han, the credit trade mode would effectively boost Chinese enterprises' trade volume and competitive strength

Beijing, January 20, 2010----Ms. Vicky Han, General Sales Manager of Sinotrust Business Information & Consulting Services, was interviewed by the journalist from the "Front Cover Figure" of the leading foreign trade magazine- Imp-Exp Executive for such topics as the importance of enterprise credit risk management under financial crisis, the importance of credit risk management for the enterprise operation, the way to establish enterprise credit risk management system and the way to evaluate the buyer's credit risks.



As pointed out by her, the concept of "Credit Risk" was born in the western countries over 100 years ago. The credit management came with the credit sale. However, in China, it just emerged with the entry of foreign-funded enterprises. In 1992, Sinotrust, the first Chinese company specialized in credit management, was established. Since then, the credit management had its model with Chinese characteristics. In the past 17 years, Sinotrust has cultivated the professional credit management talents for the market as well as conducted the inhouse training for a lot of famous domestic and foreign companies.

Credit transaction (credit sale) has been universally used by the enterprise to stimulate the sales. Therefore, in the course of transaction, the buyer credit information collection and risk evaluation are highly concerned by the enterprises. In this case, the relatively standard mode shall be adopted to evaluate the buyer's credit risk. Such standard mode is called by Sinotrust as "Credit Risks Evaluation Model". The buyer information is collected on a regular basis so as to calculate out the credit risk level for each buyer through the "Credit Risks Evaluation Model". For the buyer with low credit risk, the amount of credit sale could be increased and the time limit for repayment could be extended, and vice versa.

In the western countries, 90% business is carried out via the credit method, while only less than 10% business adopts the cash settlement, so that the credit settlement accounts for the majority. However, in China, due to the lack and deficiency of enterprise credit, the transaction via credit sale only accounts for around 20%, while the cash settlement reaches 80%. In this case, the backward way of settlement will seriously hinder the business expansion and enterprise growth, so as to heavily weaken Chinese enterprise competitiveness.

As indicated by Vicky Han, with the further globalization of economy, Chinese enterprises rivaled their foreign counterparts at the same competitive environment, but the foreign enterprise with the same size thereof had the credit sale capability which is 4 times of that owned by Chinese enterprise. Thus, Chinese enterprises should substantially increase the proportion of credit sale so as to compete with their foreign counterparts. In this sense, the enterprise credit management should be firstly enhanced before increase of the proportion of credit sale.

As per the statistic analysis, the effective credit evaluation could fight against 70% credit risks, therefore the credit evaluation is very meaningful to control the credit risks and reduce the bad debts.

About Sinotrust Business Information & Consulting Services

Sinotrust is a leading supplier of business information & consulting services. We provide company credit reports, database products, industry information and database technology services, and help you make informed decisions in credit management, marketing and sales development, industry analysis and competitor monitoring.

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