

# Knight Investment Limited China Automotive Market Update - July

*Knight Investment looks at the massive Chinese Automotive Industry, Key Players, Partnerships and Where the Luxury Electric Vehicle (EV) Sector is Heading.*

HONG KONG, HONG KONG, HONG KONG, July 10, 2018  
/EINPresswire.com/ -- Brilliance China Automotive Holdings Limited (HK: 1114)

Brilliance China, one of the country's largest automotive manufacturers is a prime example of how east and west businesses can work together in harmony. Its latest agreement with BMW strengthens its ties to the European car maker and helps it expand its EV segments in production and design with its collaboration with BAIC Group.



The BMW Group with its partner [Brilliance Automotive Group Holdings](#) signed a long-term framework agreement to further expand their joint venture BMW Brilliance Automotive (BBA). BBA is increasing the capacity of its two local production facilities Tiexi and Dadong in Shenyang, Liaoning Province, to a total of 520,000 BMW brand vehicles in 2019. Furthermore, the all-electric BMW iX to be produced by BBA—the first BMW brand model to be driven purely by electric power—is planned for export to markets outside of China.

Around 560,000 BMW brand vehicles were delivered to customers in China in 2017—more than in the next two largest markets, the US and Germany, combined. Two-thirds of all BMW vehicles sold in China were produced by BBA last year.

Local production of the new BMW X3 in China started in May as scheduled and the ramp-up in the second half of the year is expected to further accelerate growth in the world's largest automotive market. The BMW X3 is the sixth BMW model localized in China.

In addition to the two automobile production locations, BBA also runs an engine plant, which includes a battery factory for the electrified BMW brand vehicles produced locally in Shenyang. This is the first battery factory operated by a premium automobile manufacturer in China.

Local production of the BMW iX3, the first all-electric core model of the BMW brand, will start in 2020 in Shenyang. The BMW iX3 is also intended for export to markets outside of China.

With this news also comes confirmation of another partnership, this time in the New Energy Vehicle (NEV) sector. Brilliance Auto recently signed a deal with the BAIC Group, according to the agreement, the two companies will cooperate in areas such as NEVs for use as government cars, taxis, private cars, and express logistics vehicles. The two companies will also share their resources in terms of product development, charging facilities, and capital operation.

They will set up a joint venture for more intense cooperation.

Xu Heyi, chairman of BAIC Group, said the cooperation is in response to the country's auto industry policies and state-owned company reforms.

The cooperation is expected to boost NEV industry development and inject new impetus into the economic growth of northeast China, said Qi Yumin, chairman of Brilliance Auto.

“Given the Chinese government’s commitment to non-fossil fueled vehicles, it makes sense that Brilliance Auto’s would look to expand within the NEV and EV markets. When you have the likes of BMW and Tesla looking to China to capture greater market share, they need companies like Brilliance to help them transition.” Charles Bachman – Senior Advisor, [Knight Investment Limited](#)

Telsa, Inc. (NASDAQ: TSLA)

Tesla Inc. notably the worlds most recognizable EV maker has increased its prices in mainland China in direct response to trade tariffs imposed by China in retaliation to the US.

The car maker has seen China as a key destination for its vehicles as the country made up for 17% of its profits last year. The tariffs were initially expected to not affect the electric car maker however until its new factory in Shanghai is completed Tesla still needs to import its vehicles into the country.

This comes after a price reduction in May where it slashed up to \$14,000 off its Model X in China after Beijing announced major tariff cuts for imported automobiles, but the new tariffs have now erased that.

A basic Model S sedan now costs about 849,900 yuan (\$128,779) up from 710,579 in May, while a Model X sport-utility vehicle costs about 927,200 yuan now, versus 775,579 yuan in May, according to its website. At roughly 20% the increase shouldn’t discourage most Chinese buyers as the Tesla range and brand is seen as a luxury item, still attractive to the Chinese rich and still an aspiration to the expanding middle-class.

In 2017 the company installed over 1,000 supercharging stations in China and plans to double that by the end of 2018. The continued expansion and commitment to its Chinese plans promises to pay dividends, especially once the Shanghai plant is opened and the cheaper more affordable Model 3 is unveiled on the mainland. With a capacity of 15,000 vehicles per month expected to roll out of the new factory, not being subject to tariffs will enable the company to return to competitively priced vehicles across the range.

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