
Off-Highway Research

The Construction Equipment Industry in CHINA

Company Profile

JONYANG KINETICS

October 2010



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Company Profile

Jonyang Kinetics

China

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INTRODUCTION

This report profiles **Guizhou Jonyang Kinetics Co. Ltd** (or **Jonyang Kinetics** for short), which was established in 1936 and was one of the earliest manufacturers of excavators in China. The company has since changed from being a state owned enterprise to a joint venture, and has subsequently experienced several changes of ownership. It is now a foreign joint venture with Singapore Technologies Kinetics Co. Ltd (or ST Kinetics), which holds a majority 60 per cent stake in the company. The company has marketed its products under the name of Jonyang, a Chinese brand, since 1996, but from October 2010 a new brand name **TRXBUILD** will be launched for ST Kinetics' three joint ventures in China.

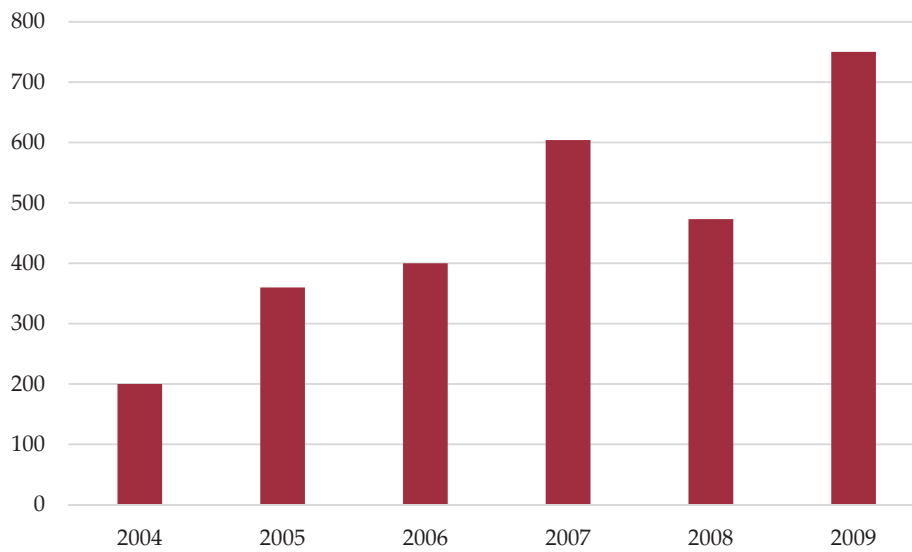
SUMMARY

Table 1. Jonyang Kinetics: Statistical Summary, 2004-2009

	Sales(RMB Mn)	No. of Employees	Production (Units)	
			Crawler Excavators	Wheeled Excavators
2004	200	3,000	160	270
2005	360	2,300	200	230
2006	400	2,300	151	149
2007	604	1,473	450	462
2008	473	1,200	472	454
2009	750	1,450	517	495

Source: Off-Highway Research

Chart 1. Jonyang Kinetics: Statistical Summary, 2004-2009



Source: Off-Highway Research

HISTORICAL DEVELOPMENT

The history of Jonyang Kinetics can be traced back to 1936 when it was established as a military munitions factory. The factory was re-named Guiyang Mining Machinery Plant in the 1950s and at that time it produced winches and crushers. Its first foray into excavators was in the 1960s when it started to manufacture rope operated excavators for the mining industry. It developed and manufactured its first hydraulic excavator, the model W4-60, during the period 1967-1977.

In 1985, under the auspices of the Ministry of Construction, it acquired technical licenses from Liebherr to produce the wheeled A912 and the crawler R912 models. Although Liebherr gave out licenses to a number of other companies, Guiyang Mining Machinery Plant claims to have made the most improvements of all of them, and during the 1970s and 1980s it was the domestic market leader for hydraulic excavators.

Table 2. Jonyang Kinetics: Historical Highlights

	Highlights
1936	Established as a munitions factory.
1950s	Guiyang Mining Machinery Plant is founded to produce winches and crushers.
1960s	A rope operated excavator of 0.3m ³ bucket capacity and a 5 tonne truck-mounted crane are developed.
1967-1977	The hydraulic excavator model W4-60 is developed and produced.
1985	Liebherr's manufacturing technologies for wheeled and crawler excavators, models A912 and R912, are introduced.
1996	Guizhou Jonyang Machinery Industry Co. Ltd is established as a joint venture with CC Johnson International Ltd.
2005	Guizhou Jonyang Machinery Industry is dissolved and replaced by Guizhou Jonyang Kinetics Co. Ltd, a new joint venture with Singapore Technologies Kinetics Co. Ltd

Source: Company Information

By the middle of the 1990s several international manufacturers had begun joint venture production of hydraulic excavators, and Guiyang Mining Machinery Plant realised that if it was to survive, international co-operation was essential. CC Johnson International Co. Ltd was the chosen partner to provide the technology and financing, and the joint venture Guizhou Jonyang Machinery Industry Co. Ltd was formed in February 1996, with CC Johnson International holding 60 per cent and Guiyang Mining Machinery Plant 40 per cent. The total investment amounted to US\$25 million, which was of considerable benefit in allowing it to develop its range of excavators. The company existed on this basis from 1996 to 2005 but suffered serious losses for many years. As a result, the company had lost significant market share, at a critical time of rapid domestic market growth, to both the leading domestic manufacturers and also well entrenched international suppliers. In the past few years it has suffered further substantial financial losses, and since 2004 its substantial sales decline has made it even more difficult for it to recover from its current situation.

As a result, the original venture was dissolved in the second half of 2005, and the local government authorised Guizhou Guiyang Industrial Investment Holding Co. Ltd, a state asset management company, to take over the company and liquidate its assets. The liquidation resulted in net assets of US\$10 million being raised, a sum that did not include its large factory. With this, the holding company reached an agreement with **ST Kinetics** to form a new joint venture in the autumn of 2005. The Singapore investor now holds 60 per cent of the equity through the cash injection of \$15 million, and the company has been renamed **Guizhou Jonyang Kinetics Co. Ltd (Jonyang Kinetics)**.

ST Kinetics is itself a wholly owned subsidiary of **Singapore Technologies Engineering Ltd**, which was formed in 1967 as a local defence manufacturer making ordnance for the Singapore armed forces. ST Engineering is an international industrial group with headquarters in Singapore that provides solutions and services in the aerospace, electronics, land systems and marine sectors, and is composed of four business divisions: ST Aerospace, ST Kinetics, ST Electronics and ST Marine. It is listed on the Singapore Stock Exchange and reported sales of US\$5.051 billion in 2007 and US\$5.548 billion in 2009, with ST Kinetics accounting for 23 and 21 per cent respectively.

ST Kinetics was formed in 2000 as the land systems and specialty vehicles business division of ST Engineering. It is made up of three sectors: Land Systems and Solutions, Specialty Vehicles and Services, and Total Support and Services. Its product range includes weapons and munitions systems, military vehicles and carriers, security vehicles, specialty construction vehicles such as dump trucks, asphalt finishers and hydraulic excavators, and specialty distribution vehicles such as refrigerated trailers.

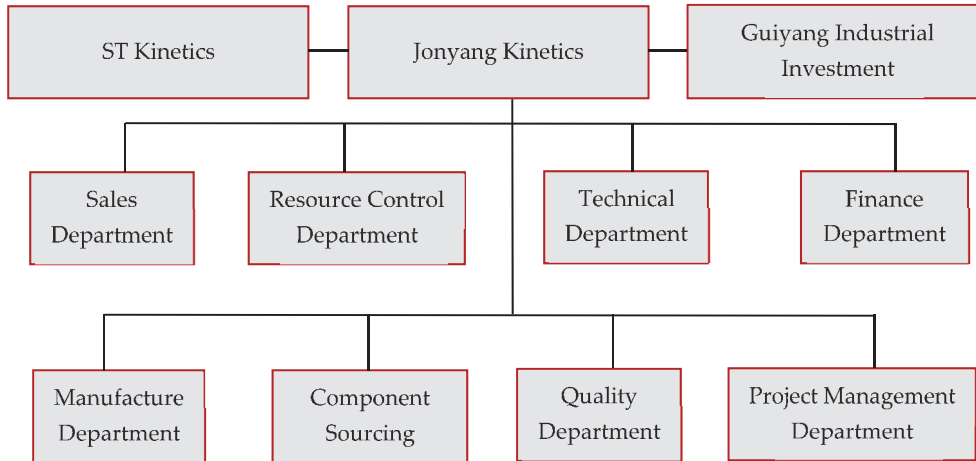
Currently, Jonyang Kinetics has a wide product range including wheeled excavators from 8-22 tonnes, crawler excavators from 8-44 tonnes, mini excavators from 3.5-6.0 tonnes, specialty excavators for scrap handling and for amphibious applications, and a high-speed backhoe loader manufactured under licence from Australian Defence Industries targeted for military use.

Globalisation is a key growth strategy for ST Kinetics and ST Engineering, a plan that has been realised very rapidly through joint ventures and acquisitions, with its target markets being North America and China. At present, ST Kinetics has three joint ventures in China (Jonyang Kinetics, Beijing Zhonghuan Kinetics and Jiangsu Huatong Kinetics) and two wholly owned companies in the USA (Leeboy and VT Specialized Vehicles Corporation) and a company in Canada (Thomas Equipment) that manufactures skid-steer loaders.

COMPANY STRUCTURE

The board of directors of Jonyang Kinetics consists of four senior managers from ST Kinetics and three from the Chinese partner. Although the President, who is Chinese and has been leading the company for a number of years, ST Kinetics appoints the chairman, and all important managerial positions in finance, purchasing and marketing are filled by staff from Singapore.

Table 3. Jonyang Kinetics: Organisation Chart, 2010



Source: Company Information

FINANCIAL DATA

Table 4. Jonyang Kinetics: Financial Highlights, 2005-2009 (RMB Million)

	2005	2006	2007	2008	2009
Turnover	360	400	604	473	750

Source: Company Information

The partnership with ST Kinetics has brought both the capital and management expertise that had so long been required by Jonyang Kinetics, and both production and sales of wheeled and crawler excavators have gradually improved as a result. Annual turnover has recovered rapidly from a low of RMB200 million in 2004 to RMB360 million in 2005, the first year that ST Kinetics was involved, and climbed to a record high of RMB750 million in 2009. ST Kinetics' strategy is to become a specialist provider of construction equipment and sales of Jonyang Kinetics are now split into three sectors: one third for the domestic civil market, one third for special orders, in particular for military customers, and one third for exports.

In spite of its rapid growth in the last five years, Jonyang Kinetics has always suffered from insufficient production capacity, even though it had invested RMB70 million to add a number of new machine tools in 2007. This lack of capacity is partly because it manufactures a large proportion of its components in-house for its wheeled excavators, so in order to expand its production capacity and increase sales, the two partners reached an agreement to increase the capital of the joint venture by \$27 million in 2008. ST Kinetics will invest \$16.2 million cash, while Guiyang Industrial Investment Holdings will contribute land to the value of \$10.8 million.

MANUFACTURING FACILITIES

Table 5. Jonyang Kinetics: Manufacturing Facilities, 2010

Land Area (Hectares)	Covered Area (m ²)	Product Range
24.3	100,000	Hydraulic and mini excavators, high-speed backhoe loaders, skid-steer loaders, specialty vehicles

Source: Off-Highway Research

Production takes place at the original site of the Guiyang Mining Machinery Plant, which occupies a huge area of 24.3 hectares with a covered area totaling 100,000 m². The differing workshops include an iron and steel foundry, forging, heat treatment, machining, structural parts, assembly, repairs and spare parts storage, while a new assembly line was established in a purpose-built facility in 2007. With the improvement of its manufacturing facilities, the company has created an annual capacity of 1,500 units, with in-house fabricated components accounting for more than 60 per cent of total manufacturing costs.

Although the factory has a very large and covered area, the structure of the existing facilities do not meet the requirements of high volume production of hydraulic excavators and other specialty vehicles. As a result, production capacity has always been limited. With the improvement of its financial status and the rapid development of the domestic construction equipment market, the company has now realised the vital and increasing importance to expand its production capacity. As a result, the company has purchased a new site of 46.6 hectares on the outskirts of Guiyang City, about 10 kilometres away from the existing facility. The relocation programme began in June 2010 and will be completed by early 2012, when the planned capacity will be 10,000 machines of all types, including hydraulic and mini excavators, skid steer loaders, telehandlers and specialty vehicles, with excavators accounting for 5,000 units.

CORPORATE STRATEGY

Thanks to its status as a joint venture with ST Kinetics, Jonyang Kinetics has become an important part of ST Engineering, a multinational company based in Singapore. The aim now is to exploit the strength of ST Engineering to realise the international technical cooperation and global purchasing necessary to provide customers with cost-effective, quality products.

As a global company, ST Kinetics has ambitious plans for its construction equipment business and it will organise its manufacturing processes according to production capacity, manufacturing costs, product synergy and regional market demand. On this basis, Jonyang Kinetics has become an important manufacturing base for ST Kinetics worldwide, and ST Kinetics will doubtless expand its product portfolio in the future.

The company was a major domestic supplier of hydraulic excavators during the 1980s and early 1990s, but has lost out in the last decade to major international suppliers and a number of rapidly expanding domestic manufacturers. However, the company is still strong in machines for special applications, in particular its high speed wheeled excavators for military use and rescue work.

Accordingly, the company will focus on specialty vehicles while improving its position in its traditional hydraulic excavators. It will develop a diversified product range, including mini and hydraulic excavators as well as their variants for special applications. It will also adapt those machines or vehicles that were originally designed for military use and promote them to the commercial sector. Its current marketing strategy, and the one it is likely to adopt for the foreseeable future, is to divide its sales between domestic commercial markets, export markets and military orders, with each accounting for one third of its revenues each year. However, it will endeavour to gradually increase the portion of domestic commercial sales and export sales.

The company has launched a relocation project in order to expand its production capacity, and will increasingly its outsourcing of parts and components instead of fabricating a large proportion of them in-house. When the expansion and relocation project has completed, hydraulic excavators will account for 50 per cent of production, with the balance being given over to specialty vehicles.

RESEARCH AND DEVELOPMENT

Jonyang Kinetics has a technical department which is certified at the provincial level technical centre for Guizhou Province, and consists of three sections that employ about 160 people. The research and development section has more than 50 engineers who work on the design of new machines and the improvement of existing products. In the past two decades, the company has obtained nine national level science and technology advancement awards, and 27 ministerial or provincial level science and technology advancement awards.

The company has a research and development team that is experienced in the introduction of technology and re-engineering, and it has set up a comprehensive procedure for the research and development of new machines. Jonyang Kinetics also has expertise in the development of high speed wheeled machines, and it is currently the only supplier in China that can manufacture fast travel wheeled excavators, backhoe loaders and telescopic handlers.

While maintaining its focus on research and development of its hydraulic excavators, the company will invest more in the development of specialist machines such as material handlers machines for waste management. At the same time it will also develop broaden its ranges of telehandlers and skid-steer loaders, as well as specialty vehicles.

COMPONENT SOURCING

Table 6. Jonyang Kinetics: Component Sourcing, 2010

	Crawler Excavators	Mini Excavators
Engines	Cummins, Yanmar	Yanmar
Transmissions	-	-
Axles	-	-
Hydraulic Pumps	Kawasaki, Tong Myung	Toshiba
Hydraulic Valves	Kawasaki, Toshiba, Parker	Toshiba
Hydraulic Cylinders	Fengyang Hydraulics	Fengyang Hydraulics
Drive Motors	Shanghai Nabtesco, Liyuan Hydraulics	Shanghai Nabtesco, Liyuan Hydraulics
Slewing Motors	Kawasaki, Toshiba	Kawasaki, Toshiba
Slewing Rings	Xuzhou Rothe Erde	Xuzhou Rothe Erde
Frames	In-house	In-house
Booms, Arms	In-house	In-house
Undercarriages	In-house	In-house
Cabs	Guiyang Zhonghui	Guiyang Zhonghui
Buckets	In-house, local	In-house, local
Tracks	Shantui	Shantui
Tyres	-	-
Wheeled Excavators		
Engines	Cummins	
Transmissions	In-house	
Axles	In-house	
Hydraulic Pumps	Kawasaki, Tong Myung	
Hydraulic Valves	Kawasaki, Toshiba, Parker	
Hydraulic Cylinders	Fengyang Hydraulics	
Drive Motors	Shanghai Nabtesco, Liyuan Hydraulics	
Slewing Motors	Kawasaki, Toshiba	
Slewing Rings	Xuzhou Rothe Erde	
Frames	In-house	
Booms, Arms	In-house	
Undercarriages	In-house	
Cabs	Guiyang Zhonghui	
Buckets	In-house, local	
Tracks	-	
Tyres	Guiyang Tyre	

Source: Company Information

Jonyang Kinetics adopts a similar component sourcing strategy to many other domestic manufacturers, but it fabricates more parts and components in-house than most. However, it has recently begun to increase its outsourcing requirements in order to increase its production capacity. It employs Cummins diesel engines on medium and large sized machines and Yanmar diesel engines on its mini and midi models.

It imports key hydraulic components from Japanese and Korean suppliers, with Japanese firms being prioritised. Two local hydraulic component suppliers, Fengyuan Hydraulics and Liyuan Hydraulics, in Guiyang City where the company is based, have been chosen to supply respectively hydraulic cylinders and drive

motors. Both of these local suppliers are believed to provide quality components that offer excellent value for money.

Jonyang Kinetics manufactures a wide range of steel parts and all of its attachments in-house, but it has begun to outsource its small parts and more labour-intensive structural components, such as cabs and buckets. When the new manufacturing facilities become operational, the company will focus on the assembly of whole machines and the manufacture of key structural parts, while sourcing such components as cabs, slewing rings, tracks and buckets from specialist suppliers.

EQUIPMENT ANALYSES

Jonyang Kinetics is well known in the domestic market for its wheeled excavators, and for its historical status as a leading supplier of crawler excavators in the 1980s. Alongside these products, the company recently begun to penetrate the mini excavator sector, although currently with very modest volumes, and it has also expanded into other niche products such as special backhoe loaders for military use, skid-steer loaders and adaptations of hydraulic excavators for dismantling applications and steel works.

CRAWLER EXCAVATORS

Table 7. Jonyang Kinetics: Range of Crawler Excavators, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Product Source
JY608	82/76	Cummins, Yanmar	8.0	Guiyang
JY613	117	Deutz	13.2	Guiyang
JY210E	171	Cummins	21.0	Guiyang
JY230E	171	Cummins	23.0	Guiyang
JY628	279	Cummins	28.8	Guiyang
JY630	279	Cummins	30.8	Guiyang
JY640	320	Cummins	40.0	Guiyang
JY644	320	Cummins	44.0	Guiyang

Source: Company Information

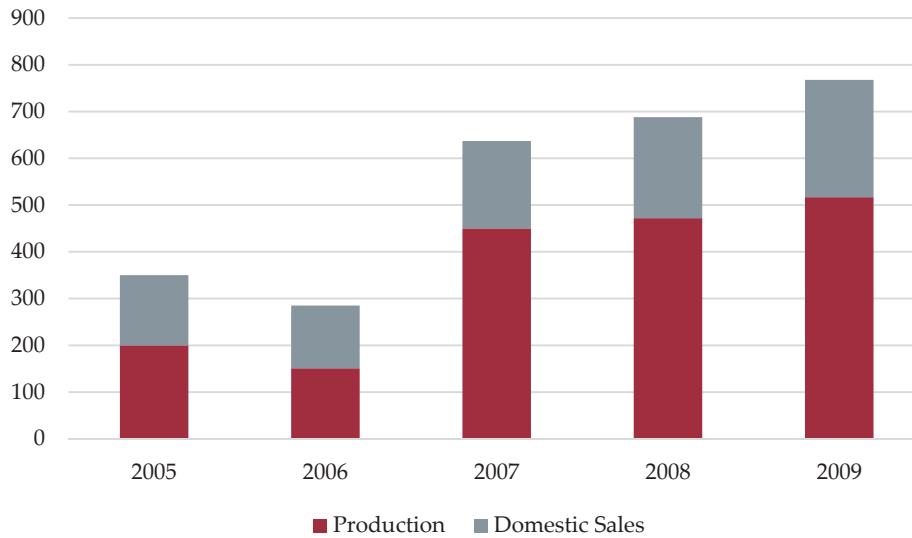
Jonyang Kinetics has developed a full range of crawler excavators in the 8.0-44.0 tonne class, but its most important machines are the two models, the JY210E and JY230E, which are the result of the Liebherr technology that was introduced in 1985. The company currently designates its crawler excavators as the JY6 series, but neither the JY210E nor the JY230E have been renamed because of their popularity on the market.

Table 8. Jonyang Kinetics: Production and Domestic Sales of Crawler Excavators, 2005-2009 (Units)

	2005	2006	2007	2008	2009
Production	200	151	450	472	517
Domestic Sales	150	134	187	216	251

Source: Off-Highway Research

Chart 2. Jonyang Kinetics: Production and Domestic Sales of Crawler Excavators, 2005-2009 (Units)



Source: Off-Highway Research

Compared with the leading domestic and international suppliers, Jonyang Kinetics has only achieved modest production and domestic sales of crawler excavators in the last five years, although it has seen steady growth since 2006 as a result of the enormous growth of the domestic market during that time. Its relatively small output is a result of its currently limited manufacturing capacity, while nearly 50 per cent of its production in the last three years has been accounted for by military orders.

WHEELED EXCAVATORS

Table 9. Jonyang Kinetics: Range of Wheeled Excavators, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Product Source
JYL606	45	Yanmar	6.0	Guiyang
JYL608	82	Cummins	8.2	Guiyang
JYL615	127	Cummins	15.0	Guiyang
JYL619	147	Cummins	20.0	Guiyang
JYL621H	147	Cummins	21.5	Guiyang
JYL210E	147	Cummins	21.0	Guiyang
JYL210ELD	147	Cummins	22.0	Guiyang
JGW111*	264	Cummins	20.0	Guiyang

* High speed wheeled excavators capable of travelling at 50 kilometres per hour

Source: Company Information

Jonyang Kinetics has been the leading domestic supplier of wheeled excavators since 1996, and it has the widest product range of wheeled excavators amongst all suppliers. Although it has many models available, two of them, the JYL210E and

JGW111, are the most popular, with the former being used for commercial applications and the latter for military use because of its high speed.

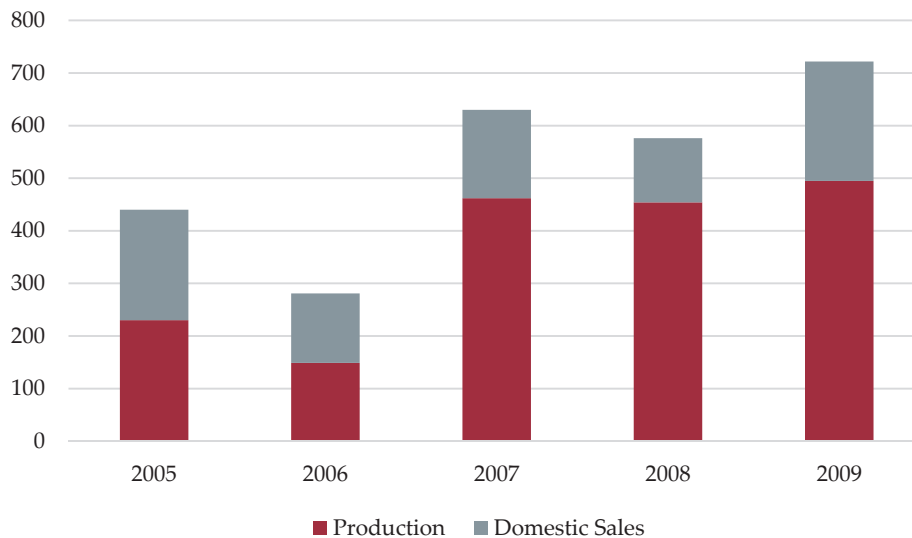
The company currently designates its wheeled excavators as the JYL6 series, but neither the JYL210E, the result of Liebherr technology introduced in 1985, nor the JGW111 have been renamed because of their popularity. Jonyang Kinetics is the only domestic supplier that can produce high speed wheeled excavators for military applications and disaster relief operations, and its machines can travel as fast as 50 kilometres per hour.

Table 10. Jonyang Kinetics: Production and Domestic Sales of Wheeled Excavators, 2005-2009 (Units)

	2005	2006	2007	2008	2009
Production	230	149	462	454	495
Domestic Sales	210	132	168	122	227

Source: Off-Highway Research

Chart 3. Jonyang Kinetics: Production and Domestic Sales of Wheeled Excavators, 2005-2009 (Units)



Source: Off-Highway Research

Wheeled excavators have always been the company’s greatest strength and here it dominated the market until 2004. By 2000, the market growth of this sector had attracted two international manufacturers, Daewoo (now Doosan Infracore) and Hyundai, and both have since slowly eroded Jonyang Kinetics’ market share.

It is quite evident that Jonyang Kinetics has struggled to keep up with market developments, and was particularly badly hurt by the imposition of the government’s macroeconomic controls in the early part of 2004. As a result, its

position as market leader was replaced by Beijing Hyundai in 2005 and 2006. With ST Kinetics becoming the majority owner of this joint venture in late 2005, the company won back its market leadership in 2007, and production of wheeled excavators was in the range of 450-500 units from 2007 to 2009.

Jonyang Kinetics has essentially survived by constantly updating its products, maintaining its price competitiveness and securing valuable military orders. Over the last five years it has been the third largest supplier to the domestic market, but has actually been the market leader if one includes its military orders.

The main applications for its wheeled excavators are in urban works, oil fields and sites where the terrain makes crawler machines difficult to manoeuvre, particularly in the west of the country. Its high-speed wheeled excavators are particularly valuable machines for disaster relief projects that are usually funded by the government, as well as being popular with the military.

MINI EXCAVATORS

Table 11. Jonyang Kinetics: Range of Mini Excavators, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Product Source
JY603	34	Yanmar	3.5	Guiyang
JY606	52	Yanmar	5.7	Guiyang

Source: Company Information

Jonyang Kinetics launched two models of mini excavators, the JY603 and JY606, in 2008 with current production rates being very small, in the range of 30-50 units each year. Mini excavators have not become its core products given its current limited manufacturing capacity and most of its sales have been destined for its home marketplace in Guizhou, or adjoining regions. It may increase its market presence in this sector when its new factory is completed at the end of 2011.

OTHER PRODUCTS

SKID STEER LOADERS

Table 12. Thomas Equipment: Skid-Steer Loaders Available, 2008

Model	Load Capacity (Kg)	HP	Manufacturer	Operating Weight (Kg)
85	386	20	Kubota	1,353
105	454	33	Kubota	1,678
153	680	50	Kubota	2,504
165	748	60	Cummins	2,675
175	794	60	Kubota	3,175
250	1,134	87	Kubota	3,629
255	1,134	87	Kubota	3,629

Source: Company Information

In early 2008, ST Kinetics reached an agreement with Thomas Equipment Inc., a company based in Canada, to produce Thomas Equipment's skid-steer loaders at Jonyang Kinetics. Work has already begun on this, but a detailed production plan was not finalised until May 2010. Thomas Equipment has seven models of skid steer-loaders with capacities ranging from 386-1,134 kilograms. All machines are powered by Kubota diesel engines, except for one model (165) which has a Cummins engine.

In May 2010, Jonyang Kinetics completed the assembly of 36 skid-steer loaders based on Thomas Equipment's 255 model, and it has designated this machine as model JYZ3255-A. It features an operating capacity of 1,134 kilograms and is powered by an 87 horsepower Kubota diesel engine. All machines are primarily to meet military orders, though the company may develop both domestic and export markets in the near future.

HIGH SPEED WHEELED MULTIPLE FUNCTION VEHICLES

Table 13. Jonyang Kinetics: High Speed Wheeled Multiple Function Vehicles Available, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Excavating Capacity (m ³)	Loading Capacity (m ³)	Product Source
GDG130	188	Cummins	13.0	0.2	0.8	Guiyang

Source: Company Information

In 2004, Jonyang Kinetics introduced a high-speed Wheeled Multiple Function Vehicle (essentially a machine similar to a backhoe loader) under licence from the Australian ADI (Australian Defence Industries) and assembled the first model, the GDG130, from CKD kits. This machine features a maximum travel speed of 90 km/h, and is powered by a 188 horsepower engine from Cummins. It made its debut at Bauma China in 2004, and created quite a stir because of its revolutionary design

and capabilities. It is currently only supplied to military customers, and is priced at more than RMB3 million. In 2005 Jonyang Kinetics obtained an order for 30 units of these impressive machines, but delivery was delayed as ADI was unable to maintain its supply of CKD kits. However, the company expects more orders for this machine, which could become a useful and profitable niche area of expertise for the future.

HIGH SPEED TELEHANDLERS

The company launched a telehandler, the model JYL524-A, in April 2010 and one which features a high travel speed of 90 km/hr for military use. The company will develop a standard speed model for commercial use in the foreseeable future.

Table 14. Jonyang Kinetics: High Speed Telehandlers Available, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Lifting Capacity (Kms)	Lifting Height (Metres)	Product Source
JYL524-A	214	Cummins	10.8	2,400	8	Guiyang

Source: Company Information

COMMERCIAL ARTICULATED VEHICLES

This commercial articulated vehicle is also called an all terrain, track type articulated carrier, and is designed for disaster relief operations. It has a payload of 4 tonnes that offers great versatility and has wide applications in civil and military rescue works including fire fighting, the recovery of trapped vehicles, as a field ambulance, for field hospitals and the transportation of relief goods.

Jonyang Kinetics launched this machine, the JY813-Q, at Bauma China in 2008. It has a maximum travel speed of 60 kilometres per hour on the road and 5 kilometres per hour in water. It is powered by a 305 horsepower Cummins diesel engine and each costs as much as RMB5 million in the domestic market. Currently, most orders are from military customers.

HYBRID TOW TRACTORS

The company also launched a hybrid tractor unit, the model JYL020-H, in 2008 at Bauma China. This machine can save up to 20 per cent of fuel compared with traditional tractor units and is now widely used at domestic airports.

MATERIAL HANDLING MACHINES

Table 15. Jonyang Kinetics: Material Handling Machines Available, 2010

Model	HP	Manufacturer	Operating Weight (Tonnes)	Product Source
JY606-G	52	Yanmar	5.6	Guiyang
JY608-G	82	Cummins	8.0	Guiyang
JYL635-G*	244	Cummins	35.0	Guiyang
JY640-G	264	Cummins	40.0	Guiyang

* Wheeled

Source: Company Information

The company's material handling machines are based on its hydraulic excavators, and they are widely used in steel works, seaports, railway stations and scrap yards. Available with different attachments such as multi-tines, clamshells, log grabs, magnets, hydraulic breakers and shears, these material handling machines can be used to load and transfer steel scrap, bulk material, timber and steel plates as well as many other materials.

MARKETING AND DISTRIBUTION

Table 16. Jonyang Kinetics: Domestic Distribution Network, 2010

Headquarters	Sales Department in Guiyang
Local Support	12 sales offices: Shengyang, Beijing, Urumiqi, Xi'an, Jinan, Wuhan, Chengdu, Guiyang, Shanghai, Hefei, Changsha and Kunming
Independent Dealers	About 30

Source: Company Information

Jonyang Kinetics has set up a sales department that is responsible for both domestic sales and exports. This consists of sections that are responsible for domestic sales, exports, service and spare parts, as well as rental. The sales department reports directly to the president, and has more than 120 staff.

The company has a diversified product range with hydraulic excavators being the core product, and adopts a different sales strategy for its different products. Usually it sells hydraulic excavators through independent dealers, while it uses direct sales for its specialty vehicles and military orders.

Jonyang Kinetics has recently been improving its distribution network, and it now has 12 sales offices in 12 capital cities to offer nationwide coverage and to manage and coordinate the sales activities of about 30 independent dealers. The domestic sales section has more than 50 staff working at its headquarters and in 12 sales offices.

The new brand name, **Trxbuild**, first launched in September 2010 in Singapore, the headquarters of ST Kinetics. It will be employed for trucks, road machinery and excavators, the three major product ranges of ST Kinetics' joint ventures in China. From 2011, all the joint ventures of ST Kinetics in China will use this new brand, replacing the existing brand names of Jonyang, Huatong and Zhonghuan.

EXPORTS

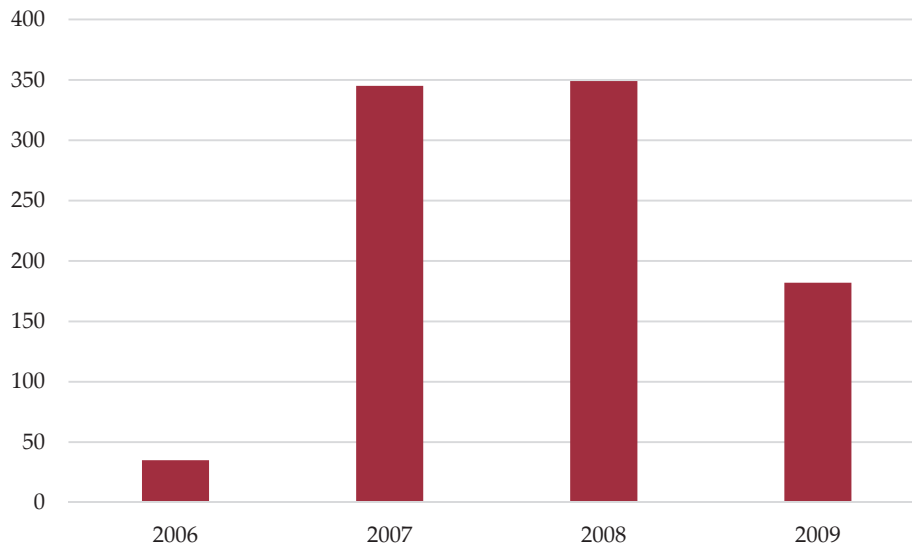
Jonyang Kinetics began exporting in 2002, but export volumes were very modest from 2002 to 2006. However, overseas sales have become an increasingly important feature of its business since it was taken over by ST Kinetics. It first appointed four overseas dealers, in Australia, the Ukraine, Kazakhstan and the Philippines, in 2006, and the number of overseas dealers has now expanded to around 40.

Table 17. Jonyang Kinetics: Exports of Hydraulic Excavators, 2006-2009 (Units)

2006	2007	2008	2009
35	345	349	182

Source: Off-Highway Research

Chart 4. Jonyang Kinetics: Exports of Hydraulic Excavators, 2006-2009 (Units)



Source: Off-Highway Research

Jonyang Kinetics has an export section consisting of more than 20 staff that are responsible for exports, and its traditional markets include the Middle East, Central Asia, Africa and South America. It has set up a sales office in Uzbekistan and is planning to establish up to five sales offices in these four regions. In addition, ST Kinetics has set up an international sales team in Singapore to oversee the exports of ST Kinetics' joint ventures in China to Southeast Asian markets. Currently, export sales of Jonyang Kinetics contribute about 30 per cent to its total turnover each year, and it hopes this share will be further increased in the future.

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