



BEHIND THE BAMBOO CURTAIN

WORDS & PHOTOGRAPHY ALAN CATHCART

CFMOTO IS ONE OF AUSTRALIA'S FASTEST GROWING BRANDS. WE HEAD TO THE FACTORY TO FIND OUT WHAT ALL THE FUSS IS ABOUT

We've all known it would take place sooner or later and it's finally happening: a Chinese manufacturer has stepped on to the world

stage with a growing range of affordably priced mid-sized motorcycles targeted at export sales, rather than smaller-capacity models aimed at its local customers.

It's a brave step for a Chinese manufacturer to look beyond its own gates, as the People's Republic is the world's largest motorcycle market. Almost 14 million bikes were sold there last year – which would effectively put over half the population of Australia on two wheels!

CFMoto is a subsidiary of the Chunfeng (which means gentle breeze and hence CF) Holding Group, an engineering company founded in 1989 by 24-year-old Lai Guogui to make components for the booming motorcycle industry.

It only began manufacturing complete motorcycles in 2000, when it obtained the

necessary government licence to do so. The company has been building 125cc engines for other companies since 1996 and developed the first Chinese liquid-cooled motorcycle engine in 1997.

CFMoto moved into its present purpose built 150,000m² plant in Hangzhou in 2008, boasting a 1520-strong workforce – 200 of whom are qualified engineers directly involved with R&D, steadily ramping up production not only of bikes and scooters, but ATVs, in which CFMoto is a market leader.

As a company much smaller than industry giants like Lifan, Loncin, Zongshen and Qianjiang (owners of Benelli), CFMoto is almost unique among Chinese motorcycle manufacturers as it markets its own brand exclusively. It doesn't build complete bikes or scooters to sell to other companies for re-badging. It's also more export focused than most of the larger companies in China.

For the past five years, it's been the biggest exporter of ATVs from China in dollar volume, and it only builds larger capacity models (over 500cc). Its range-topping model, of which 10,000 units were built in 2013, has an 800cc V-twin engine that might make an ideal basis for a cruiser.

With all its products, CFMoto emphasises quality of manufacture, rather than low cost, so while its bikes are well priced, they're also well-made and durable.

"CFMoto gets the whole quality issue, in a way that most other Chinese manufacturers which are primarily price-oriented still don't," says Michael Poynton, CEO of the company's Australian importer, Mojo Motorcycles.

"They strictly enforce a zero defect manufacturing policy, and they've adopted innovative production methods to ensure every product is finished to the highest level of detail. Our core customers for their ATV

models are Australian farmers, who are ultra-demanding, but it's a mark of how good CFMoto's reliability is that we've now overtaken Kawasaki and Can-Am in terms of numbers in ATV sales, as word spreads how good they are.

"We've had excellent results with the 650NK and 650TK motorcycles as well – our bike sales increased a whopping 42.2 percent in 2013. In volume terms, CFMoto sold more units than Ducati and BMW in 2013 and was ranked the ninth-largest manufacturer in Australia – an impressive feat considering the brand has only been in Australia for three years, and we're focused on selling mid-sized models, not cheap 50cc runarounds."

CFMoto began development entirely in house of its own purpose-built 650cc parallel-twin motor in 2009 as a platform for a range of middleweight models of different types, of which the 650NK naked roadster was the first. It's a mark of how quickly its

INTERVIEW



Guogui aims to make 50,000 bikes by 2017

CFMOTO'S LAI GUOGUI

Fifty-year-old Lai Guogui is CFMoto's founder, president and principal shareholder. The chance to interview him in his office in the firm's Hangzhou factory gives an insight into where his company's heading.

When did CFMoto begin manufacturing motorcycles, and why did you choose this product, rather than cars, boats or sewing machines?

I founded this company when I was 24-years-old, in 1989. At that time there were not so many motorcycle manufacturers in China, so I saw a good potential as our country became increasingly mobilised. To begin with, we made components for other manufacturers' machines, with many constant innovations which got good response from the public. In 1996 we began making our own overhead camshaft 125cc engine which we supplied to other manufacturers. But we encountered problems with several suppliers who did not meet our high quality control standards. So we made our own liquid-cooled 125cc engine, the first in China, which was accepted by scooter manufacturers very quickly. But they did not like to pay the higher price of manufacture of a liquid-cooled engine, so in 2000 we decided to establish our own operation, manufacturing complete motorcycles and scooters. We bought a state-owned company, and that way we got the permission from the government to enter motorcycle production. Later, we made CFMoto's first ATV in 2005, and after that side-by-side utility vehicles powered by the same V-twin engines.

Why did you begin manufacturing 650cc twin-cylinder motorcycles when the vast majority of Chinese motorcycles are 250cc or smaller?

We understood from early on that the way we can succeed is to offer products which are well made, to a high standard of quality, at a fair price, and offer something extra in their specification. So we decided to develop these motorcycles which are large capacity models in China, but are middleweight size in developed export markets like Europe and Australia. Speaking of quality, we pay close attention to this on the production line, and our workers operate a strict zero defects policy. We pay higher wages than anyone else in Hangzhou in a comparable industry to make sure we get the best people. We spend seven percent of our total annual sales revenue on R&D, employing over 200 engineers who pay close respect to intellectual property. In fact, we applied for 75 patents in 2010, 80 more in 2011, and 92 in 2012.

How many motorcycles did CFMoto manufacture and sell last year?

Let me answer that by saying that in 2007, before the global downturn, we made 20,000 motorcycles and scooters, and 13,000 ATV models. In 2013 we made 15,000 powered two-wheelers and 32,000 four wheel ATVs. So we were initially badly affected by the economic downturn, but we have now recovered, and are growing strongly. CFMoto registered a 40 percent growth year-on-year in 2011, 55 percent in 2012 and 70 percent in 2013. I and my brother had three businesses – CFMoto powersports, a real estate company in Chongqing and a company making freight train components. This train company was very profitable, so we sold this to raise capital to invest more strongly in the powersports business, and we have also recently branched out into a new leisure industry: boats.

With the benefit of that investment in new models, and now that our agreement with KTM to manufacture their motorcycles here in our factory for sale throughout China is up and running, we are already seeing a continuation of that strong growth for the future. By 2017 we envisage selling 50,000 ATVs annually, 20,000 utility vehicles with side-by-side seating and 50,000 CFMoto motorcycles, of which 30,000 will be over 250cc in capacity. These do not include any KTM's we will have assembled here in our factory. We expect KTM sales in China to reach 15,000

motorcycles annually by 2017 and we hope to see sales of what in our local market is a premium priced product increase by 1,000 bikes or more each year after that.

Given the promising debut of the CFMoto 650cc Supertwins machine in the Isle of Man TT, will you produce a sports version using the 650 parallel-twin engine of the race bike?

We won't make a race replica as such – we want to focus on developing the other less sporty models to the maximum. But we may offer aftermarket parts to allow the standard model to be transformed, such as with an optional fairing designed by Mr. Kiska, or other such add-on components.

Part of KTM's successful sporting ethos is 'We race what we sell'. Will you organise a one-make racing series?

No, we can't support road racing because we have only very few tracks in China. But we will support an off-road racing team. We will respect KTM's ideas about product development and marketing, but we believe we understand the Chinese customer best, and what they are expecting. We will organise KTM Orange Day type events to create a sense of community, which is always very important. We already do something similar for owners of our own 650TK and 650NK models.



In Chinese, this would read: Ekud

CFMoto gets the whole quality issue, in a way that most other Chinese manufacturers which are price-oriented still don't



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Main: Not a speck of dust, stray dog or a thousand factory workers exercising in unison in sight

1. A scooter in the R&D department
2. CFMoto's Oz importer Michael Poynton
3. Chinese cops get to chase their local hooligans with one of these
4. CFMoto factory workers' dormitory. The garden needs a bit of work
5. Aussies just can't get enough of these

R&D engineers work that this model was launched on the home market early in 2011, with over 60,000km of test mileage already under its wheels, reaching export markets one year later.

The 650TK hard-luggage tourer came next, with export sales commencing one year ago, and there's a 650MT adventure tourer in the works, too – expect it to debut on the home market later this year, and to be available to export customers in 2015.

"When at CFMoto we began developing 650cc parallel-twin and 800cc V-twin engines in 2009, it was after other companies 20 times bigger, even 50 times bigger than ours had tried and failed to do something similar," says the firm's Chief Engineer, Zhao Yongzhou.

"But we invested much time in development and carefully chose suppliers which would meet our high standards of quality control, and so we were successful in the end."

CFMoto is expecting to pump out 10,000 650cc parallel-twin models for 2014, with

4000 of these headed for the Chinese home market, and the balance for export around the world.

But demand for motorcycles with 400cc or larger is still very small in China, occupying less than one percent of the total market – with sales of just 9500 units in total in 2013, albeit representing a sales increase of 56 percent year-on-year.

So CFMoto's 650cc dohc parallel-twin eight-valve motor with 180-degree crankshaft, chain camdrive and a gear-driven counterbalancer to smooth out the vibes, represents the arrival of China's long-awaited debut middleweight motorcycle models, the first 'real' bikes to emanate from the world's largest motorcycle market that is the People's Republic.

As such, it's a first rung on the climb up the engine-displacement ladder that's certain to fuel an increasingly irresistible attack on Western markets by Chinese manufacturers.

There's no denying the 650NK is a direct

rip-off of a Kawasaki ER-6n design-wise. But it's still a history-making bike as it's the first production motorcycle to come out of China with an engine larger than 250cc.

After visiting the modern, well-equipped CFMoto factory in Hangzhou, 170km southwest of Shanghai, it's hard not to be convinced that this company is indeed a game changer.

While CFMoto's range of middleweights is by no means as much of a landmark as the first Honda four, it's certainly the modern Chinese equivalent of the CB450, the first product from a Japanese manufacturer to demonstrate convincingly to Western customers that a J-bike could be fun as well as functional, sporty in addition to being affordable.

And the price is indeed the punchline. The CFMoto 650NK costs just \$5990. Compare that to \$9499 for a Kawasaki ER-6n (admittedly it comes with ABS as standard, unlike the Chinese bike).

But while the CFMoto middleweight twin is

an amazing deal on the face of it, is the extra reassurance you get from buying a bike Made in Japan worth twice the price?

Well, that depends a lot on how well it's made, and my tour of CFMoto's Hangzhou factory revealed a company essentially operating to European standards of manufacture. The four vehicle assembly lines – two each for two-wheelers and four-wheelers, whether ATVs or side-by-side mini-trucks – and three engine assembly lines operate a zero defect policy.

"If we want zero defects from one of our products, as we do, we realise we cannot afford to cut corners in quality control," the company's marketing director Samantha Liu said.

"We build up to a quality level, not down to a price, while still remaining competitive price-wise in the marketplace."

The quality control points I noticed during a tour of the production lines supported that claim, especially as these were well-worn benches, not specially-installed for my visit. The ranks of 28 CNC machines on the

factory floor demonstrate that one way to achieve this level of quality is components being manufactured in-house to higher tolerance levels, rather than being brought in from outside suppliers like, well, CFMoto itself when it first started out, as is the case elsewhere in China.

You can bet these will be the first of many such bikes to emanate from the People's Republic, no doubt priced equally competitively.

And at the point they provide a comparable product to an established Japanese model, but at a price that's anything up to 40 percent lower, that their customers overseas will reap the real benefit. It's a win-win situation all round: everyone comes out ahead.

Well, except perhaps for the big four Japanese manufacturers, weighed down by higher labour costs which have prompted Honda, for example, to ramp up offshore motorcycle production at its factory in Thailand in order to save on labour costs and remain competitive. 🇯🇵



THE CHINESE DRAGON AWAKENS

In addition to its alliance with Europe's largest manufacturer KTM, under which it's already assembling Indian-built KTM 200 and 390 Duke models in its Hangzhou factory for local sale, China's CFMoto is planning a major step forward in the quality and appeal to overseas customers of its own model range.

The radical-looking 650MT has been created for the Chinese manufacturer by none other than Gerald Kiska, whose Kiska Design company has been responsible for producing every single KTM model since 1992.

The first fruits of this agreement will result in an all-new range of bikes with Kiska styling debuting later this year, powered by CFMoto's own fuel-injected 150cc liquid-cooled single overhead-cam six-speed single-cylinder motor with a gear-driven counterbalancer. A comparable 250cc range is also understood to be under development, as a counter to Honda's Thai-built models and those of Indian competitors Bajaj and the newly-independent Hero MotoCorp, although this won't appear until 2017 at the earliest.

In addition to its current 650cc models, CFMoto also has 400cc versions of its existing 650cc parallel-twin models under development – primarily for the local Chinese market, but with the possibility of export sale where appropriate. This will result in CFMoto offering a range of models starting at 150cc and running through 250cc and 400cc capacities to 650cc – just as KTM/Bajaj currently offer 125/200/390/690cc capacity progressions for their single-cylinder models.

The Chinese company is also considering producing a Supermoto model along the lines of MV Agusta's Rivale, as this would be relatively easy and quick to achieve on the 650NK platform.

"If we want zero defects from our products, we cannot afford to cut corners in quality control"



KTM AND CFMOTO TEAM UP TO BUILD DUKES IN CHINA

CFMoto has teamed up with KTM to manufacture its single-cylinder Dukes in the land of cuddly pandas. "After many years looking for the right partner for KTM in China, we strongly feel we finally found the right company," says KTM's director of sales and marketing, Hubert Trunkenpolz. "Firstly, it's run by a very serious entrepreneur, Mr. Lai, and we also felt after visiting the CFMoto factory that in terms of size and in their way of thinking, with an accent on quality, they're the perfect match for KTM. We got the strong impression we're both reading from the same page."

"It was hard to find a partner in China who understood the importance of quality, as CFMoto does, as opposed to focusing exclusively on low prices."

In spite of the significant proportion of powered two-wheeler sales in China represented by electric bikes and scooters, which are mandatory in the 270 largest Chinese cities from which petrol/gasoline-engined PTW products are banned, CFMoto presently has no electric

models in its range. This makes it quite possible that the cool-looking E-Speed electric scooter which KTM launched at the 2013 Tokyo Show will find its way to China as part of this joint venture – and indeed, given the lower costs of manufacturing electric motors and especially batteries in China, it may well be that the e-bike will be built by CFMoto for overseas sale under the KTM badge, just as the KTM 125/200/390 Dukes are all built in India.

"They're the first Chinese manufacturer to start exporting a larger capacity motorcycle, but secondly what impresses me is how they're selling their products in the States," KTM's CEO Stefan Pierer says.

"The USA is not an easy market, and for a couple of years now they've been doing a great job there, and they're gaining market share based on the quality of the product, as well as their after-sales service. Their spare parts delivery service is good – normally that's a weakness of the Chinese companies, but not for them – and all this gives me the impression of a consistent, stable, thoughtful and well organised long-term partner."



Thumbs-up for the CFMoto/KTM partnership



Main: Massive factory has 1520 workers, 28 CNC machines and lots of green floors
 1. CFMoto's Chief Engineer Zhao Yongzhou
 2. The company's famed 650cc parallel-twin
 3. CFMoto's 650NK