

# China End-of-Life Vehicle (ELV) and Dismantling Industry Report, 2019-2025

Dec. 2019

## STUDY GOAL AND OBJECTIVES

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

## REPORT OBJECTIVES

- ◆ To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- ◆ To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- ◆ To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- ◆ To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- ◆ To help company to succeed in a competitive market, and

## METHODOLOGY

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications. Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

## INFORMATION SOURCES

The primary information sources include Company Reports, and National Bureau of Statistics of China etc.

## Abstract

Automobile ownership showed a CAGR of 14.7% in China between 2010 and 2018, and it will continue to rise in the upcoming years, up to 379.2 million units as expected in 2025, despite a decline in both production and sales over the past two years due to the burgeoning car share and ride-hailing software markets.

In such a huge automotive market, Chinese end-of-life vehicle (ELV) and dismantling market springs up. As estimated, there were a total of 8 million end-of-life vehicles in China in 2018, with a scrap rate of 3.5%; but a mere 30% of them were recycled, far lower than virtually 80% in the developed countries. In the first eleven months of 2019, 1.739 million ELVs were recycled in China, a like-for-like spurt of 18.4%, and with the full-year recycling rate expectedly hitting 21%.

Among 731 Chinese car dismantling firms announced by the Ministry of Commerce of China on June 21, 2019, most are small sized with low annual recycling rate of ELVs and scattered resources, though a national ELV dismantling network has already taken shape. Nowadays, competitive Chinese players are Shenzhen GEM High-Tech, Jiangsu Huahong Technology, Miracle Automation, Henan Yuguang Gold & Lead, Tus-Sound Environmental Resources and Beijing Capital.

China's scrap rate remains much lower than 6% to 8% in the developed countries, and a mere 0.5%-1% vehicles out of automobile ownership are recycled compared with a staggering 5%-7% in developed nations. That's largely because ELV subsidies are directly given to vehicle owners but in small amount, and professional dismantling firms buy ELVs at a low price due to meager profit, which leads to an influx of scrapped cars to the black market which offers a higher price.

On April 22, 2019, the State Council announced the Measures for the Management of End-of-Life Vehicle Recycling, a policy allowing the recycling and remanufacturing of "five assemblies" (engine assembly, steering assembly, transmission assembly, front and rear axles, and frame) which can be sold to enterprises with remanufacturing capabilities in the light of relevant national regulations.

## Related ELV& Dismantling Companies in China

|  | Layout and Introduction   |
|--|---|
| Shenzhen Green Eco-manufacture Hi-tech Co., Ltd. | It has built ELV processing bases in Wuhan, Tianjin, Jiangxi and Xiantao, and formed complete ELV resource industry chain including recycling, dismantling, coarse separation, fine separation and parts remanufacturer. In addition, it also sets up waste resources trading market in Jingmen and Xiantao of Hubei, which offers raw materials guarantee to ELV business. In the first half of 2019, the company recorded RMB789 million in revenue from waste electrical and electronic equipment (WEEE) and ELV dismantling business, a 12.7% share of total revenue.   |
| Jiangsu Huahong Technology Co., Ltd.             | It is capable of complete set supply of ELV processing equipment. On August 9, 2018, the company acquired Beijing Zhongwubo Automobile Disassembling Co., Ltd. for RMB30 million in a bid to develop the ELV recycling and dismantling business. In 2018, Huahong Technology registered RMB167.29 million in revenue from vehicle dismantling business.   |
| Miracle Automation Engineering Co., Ltd.         | In 2018H1, its used vehicle fine-dismantling, high-efficient automatic sorting equipment production project was put into operation. The company launched the ELV recycling demonstration base project in the first half of 2019, and initially completed the planning of Hubei base and Ningbo base. Meanwhile, the first phase of Shenzhen Qiantai New Energy ELV Recycling & Dismantling and Power Battery Recycling Industrial Park which boasts the most advanced ELV dismantling production line in China was completed and put into operation, with the designed daily dismantling capacity of 250 large and small vehicles. On December 12, 2019, Miracle Automation Engineering announced that it intended to acquire 61% equity in Jiangxi Miracle Golden Tiger Cobalt Co., Ltd. for a total consideration of RMB475 million. After the completion of the deal, Miracle Automation Engineering will directly control the latter to develop comprehensive recycling of power batteries (including consumer batteries and new energy vehicle power batteries). |
| Henan Yuguang Gold & Lead Co., Ltd.              | The ELV business mainly covers recycling and processing of waste battery for automotive, and is capable of processing 540kt waste battery annually. In 2017, its waste lead-acid battery recycling scope expanded from Henan, Sichuan, Zhejiang, and Shanghai to Shaanxi, Shandong and Jiangsu, the partners increased to 50+. It purchased 176,000 tons of waste lead-acid batteries and 35,000 tons of waste copper throughout the year. In 2018, the company's 7 recycling companies in Zhengzhou, Luoyang, Zhoukou, Zhumadian, Xi'an, Yuncheng and Linfen obtained EIA (Environmental Impact Assessment) approvals; Hunan Shengheng Recycling and the branches in Luoyang city and Zhoukou city passed the EIA and started trial operation; the construction of seven recycling sites in Sichuan was under way.   |
| Tus-Sound Environmental Resources Co., Ltd.      | The ELV business-related subsidiaries include Hubei Sound Environmental Protection Co., Ltd., Xianning Xingyuan Material Recycling Co., Ltd. and Hunan Sound Renewable Resources Co., Ltd. Its ELV business belongs to renewable resources recycling and utilization business. In H1 2019, the company's 3 subsidiaries dismantled more than 6,000 ELVs.  |
| Beijing Capital Co., Ltd.                        | Its used vehicle dismantling center project, with total investment of RMB92 million, covers a floor area of 33600 square meters, has passed inspection of Ministry of Commerce in 2010, and put in operation in Nov.2010 with annual dismantling capacity of over 50,000 units. In 2018, Beijing Capital's revenue from electronic waste and ELVs rose by 37.73% year on year to RMB306.88 million, accounting for 2.46% of the total revenue; the gross margin was 33.15%.   |

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Thanks to the above policy, ELV recycling and dismantling companies will be lucrative enough to compete with the black market. In the future, Chinese ELV and dismantling market will develop in an orderly manner, and the market size will be on a steady rise. The ELV and dismantling industry is hopefully to boom, with output value reporting RMB50 billion, scrap rate at 4.9% and recycling rate at 26.2% in 2025.

China End-of-Life Vehicle (ELV) and Dismantling Industry Report, 2019-2025 highlights the following:

- ◆ Global ELV and dismantling industry (overview, development in main countries, and typical companies);
- ◆ China renewable resource industry (policy, status quo, import & export, product segments, and forecast);
- ◆ China ELV and dismantling industry (policy, upstream sectors, overview, market size, competitive pattern, summary and forecast);
- ◆ 14 Chinese ELV and dismantling enterprises (operation, gross margin, ELV business and development strategy).

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