Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by CIC, an independent industry consultant which was commissioned by us (the "CIC Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**] *or any other parties (other than CIC) involved in the* [**REDACTED**] *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the CIC Report.*

SOURCE OF INFORMATION

The contract sum to CIC is RMB550,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC offers industry research and market strategies and provides growth consulting and corporate training. In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) Chinese social, economic and political environment is likely to remain stable in the forecast period; (ii) the Chinese government policies on China's intralogistics equipment solution market and China's intralogistics equipment and parts sales market will remain unchanged in all material respects during the forecast period; (iii) related industry key drivers are likely to drive the markets in the forecast period. CIC has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and key industry experts, as well as secondary research which involved reviewing company reports, independent research reports and data based on its own research database. CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report that may qualify, contradict or have a material impact on the information disclosed in this section.

INTRALOGISTICS EQUIPMENT SOLUTION MARKET IN CHINA

Overview

Intralogistics equipment is an industrial machinery used to replace intensive labor in mechanical work, such as carrying, moving, sorting, and stacking of cargo and heavy loads, in manufacturing plants, logistics parks, warehouses, airports, ports, and other similar worksites. There are various types of intralogistics equipment, including but not limited to, forklifts, stackers, sorters and conveyors, among which, forklifts are the most widely used. A forklift is a type of powered equipment with a fork platform in the front that can be used for lifting, moving or stacking heavy objects over short distances. Forklifts are highly standardized and can be deployed flexibly, as they have low requirements in terms of the type of goods to be carried and the space available at the operating site, and have been widely used in various scenarios.

Since the 21st century, the manufacturing and logistics industries in China have experienced rapid growth, resulting in an increased demand for intralogistics equipment from manufacturing and logistics companies. However, the manufacturing and logistics companies face challenges rooted in the traditional intralogistics equipment procurement mode. The pain points faced by enterprises under the traditional intralogistics equipment procurement mode mainly include the following:

(i) huge upfront payments for procuring intralogistics equipment, which create a significant financial burden for enterprises;

(ii) high equipment maintenance and repair costs due to the lack of structured equipment management and monitoring which shall be supported by a professional technician team;

(iii) lack of a flexible equipment fleet with diversified categories to meet the changing development needs of enterprises; and

(iv) difficulties in meeting the usually high intralogistics equipment demand during peak seasons, such as periods around 618 Shopping Festival, Double 11 Shopping Festival.

As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment solutions have been introduced to address the above pain points of the traditional intralogistics equipment procurement mode. Intralogistics equipment solutions, with intralogistics equipment subscription services as the core business segment, also include repair and maintenance services, management optimization services and disposal services for manufacturing and logistics enterprises and other intralogistics equipment users. The diagram below illustrates the main activities involved in the full lifecycle of intralogistics equipment management:

Leveraging the comprehensive service coverage, intralogistics equipment solution providers can create synergies across different service segments. They can often offer a broad portfolio of models that can meet the diverse needs of enterprises to deploy equipment in various scenarios, while eliminating the needs to bear the one-off procurement costs of equipment. Furthermore, intralogistics equipment solution providers can reduce equipment damage and enhance efficiency through management optimization, and by providing maintenance and repair services to enterprises, they can accumulate a large number of customer resources and further enable the mutual conversion of customers under different services. In addition, intralogistics equipment solution providers can make the best use of equipment through disposal services, which includes equipment refurbishment, parts disassembly and sales of the used equipment according to the condition of the equipment. Being able to significantly improve equipment utilization rate, operational efficiency, and overall cost-effectiveness for enterprises, intralogistics equipment solutions have now become a recent trend for intralogistics equipment management.

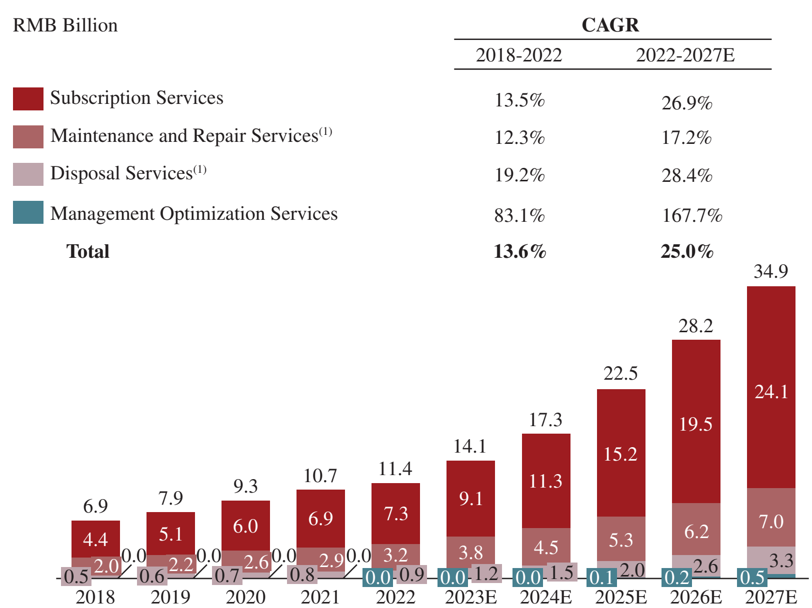
Market Size of the Intralogistics Equipment Solution Market in China

According to CIC, the intralogistics equipment solution market in China is still in the early-stage development. Compared with developed countries and regions, such as the United States, the penetration rate of intralogistics equipment solutions in China is relatively low. The estimated penetration rate of intralogistics equipment solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment solutions in China was approximately 3.5% in 2018 and approximately 3.7% in 2022, indicating huge growth potential for the intralogistics equipment solution market in China. The penetration rate of intralogistics equipment solutions in China is expected to increase to 5.9% in 2027.

The intralogistics equipment solution market in China has experienced rapid growth over the past five years. The total market size increased from RMB6.9 billion in 2018 to RMB11.4 billion in 2022, at a CAGR of 13.6%. The intralogistics equipment solution market in China is expected to further increase to RMB34.9 billion in 2027 at a CAGR of 25.0% from 2022 to 2027 driven by the development of manufacturing and logistics industries and the increasing demands for cost reduction and efficiency improvement. China's logistics and manufacturing industries have developed rapidly and will continue to grow in the future. China's manufacturing industry added value and the total cost of social logistics are expected to increase to RMB47.4 trillion and RMB22.9 trillion by 2027, from RMB33.4 trillion and RMB17.8 trillion in 2022, with a CAGR of 7.2% and 5.2%, respectively. The development of manufacturing and logistics industries has created a strong demand for intralogistics equipment, which further boosts the growth of the intralogistics equipment solution market. Meanwhile, enterprises are paying more attention to cost reduction and cutting down one-time purchase expenditures, as well as improving utilization rate and operational efficiency during the course of business development. As intralogistics equipment solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected be more widely adopted by enterprises. According to CIC, intralogistics equipment solutions can help enterprises reduce operating costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode.

The following chart illustrates the market size of the intralogistics equipment solutions in China in terms of revenue by service categories:

Market size of China's intralogistics equipment solutions, 2018-2027E



Source: CIC report

Notes:

(1) The market sizes of maintenance and repair services and disposal services only reflect revenue generated from maintenance and repair services and sales of used intralogistics equipment by the market players in intralogistics equipment solution market.

Intralogistics Equipment Subscription Services

Intralogistics equipment subscription services enable customers to subscribe a broad portfolio of intralogistics equipment based on their actual requirements for intralogistics equipment. Driven by the growing demand for improving operational efficiency and overall cost-effectiveness, the intralogistics equipment subscription services market has grown rapidly in recent years. According to the CIC, the market size of intralogistics equipment subscription services in China increased from RMB4.4 billion in 2018 to RMB7.3 billion in 2022, at a CAGR of 13.5%, and is expected to maintain strong growth momentum. By 2027, the market size is expected to reach RMB24.1 billion, at a CAGR of 26.9% from 2022 to 2027.

Maintenance and Repair Services

Maintenance and repair services mainly target the equipment that is still in its useful life. Intralogistics equipment solution providers offer professional maintenance and repair services to ensure the smooth operation of equipment and to extend its useful life. Maintenance and repair services mainly cover equipment inspections, general maintenance and accident repairs, which can meet the various maintenance and repair demands of equipment users. By adopting intralogistics equipment solutions, the equipment users no longer need to allocate professional personnel for maintenance and repair or to store spare parts, and can reduce relevant costs. As intralogistics equipment solution providers gradually extend their capability to provide maintenance and repair services to customers, the maintenance and repair services market in China is expected to further grow from RMB3.2 billion in 2022 to RMB7.0 billion in 2027, at a CAGR of 17.2% during the forecast period.

Disposal Services

Unlike maintenance and repair services, which focus on equipment that still in use, disposal services targets old, idle equipment. Disposal services include refurbishment of intralogistics equipment, parts disassembly and sales of used equipment. Through disposal services, intralogistics equipment solution providers can either restore the old equipment back to working condition by the refurbishing intralogistics equipment, or dispose of the used equipment by disassembling and selling of the equipment, thus maximizing the value of intralogistics equipment. Encouraged by policies and incentives to promote the environmental protection in enterprises introduced by the PRC government in recent years, the market size of disposal services in China increased from RMB0.5 billion in 2018 to RMB0.9 billion in 2022, at a CAGR of 19.2%, and is expected to increase further to RMB3.3 billion in 2027, at a CAGR of 28.4%.

Management Optimization Services

Management optimization services mainly include the monitoring and managing the usage and operation of intralogistics equipment. Intralogistics equipment solution providers mainly rely on intelligent IoT devices, wearable devices and other hardware devices to accurately monitor the operation and maintenance status of equipment in real time, along with digital equipment lifecycle management and other software platforms to track and analyze equipment information, thereby improving the operational efficiency. Currently, the market size of management optimization services is minimal, with a revenue of less than RMB0.01 billion in 2022. However, the management optimization services market has great potential. With the growth of the business scale and fleet size, logistics and manufacturing companies face more difficulties and labor costs in managing equipment. In order to better improve the operational efficiency, a growing number of logistics and manufacturing companies will need real-time monitoring of equipment operation and maintenance status. As technologies such as IoT, big data, and AI become increasingly sophisticated, more intralogistics equipment solution providers are expected to leverage their technical capabilities to provide management optimization services to logistics and manufacturing companies to further reduce equipment damage and improve operational efficiency. The market size of management optimization services is expected to reach RMB0.5 billion in 2027, with a CAGR of 167.7% from 2022 to 2027. During the Track Record Period, as part of the intralogistics equipment subscription services, the Company provided management optimization services to its customers, such as monitoring and management of the subscribed intralogistics equipment's operation, without extra charges in addition to intralogistics equipment subscription fees.

Key Growth Drivers for the Intralogistics Equipment Solution Market in China

- *Development of manufacturing and logistics industries.* China's logistics and manufacturing industries have developed rapidly and will continue to grow in the future. The development of manufacturing and logistics industries has generated a strong demand for intralogistics equipment, which further boosts the growth of the intralogistics equipment solution market.

- *Increasing demands for cost reduction and efficiency improvement.* Enterprises are paying more attention to cost reduction and cutting down one-time purchase expenditures, as well as improving utilization rate and operational efficiency during the course of business development. As intralogistics equipment solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected be more widely adopted by enterprises.

- *Empowerment of technologies.* Information technology has become an indispensable tool to optimize equipment management. Technologies such as IoT and big data enable the digital management of complex data generated from operation, dispatch, and maintenance and repair of a huge amount of equipment. Intralogistics equipment solution providers can further analyze the data collected and enhance their service quality and efficiency, and therefore, the development of the intralogistics equipment solution market is further promoted.

- *Favorable policies.* In recent years, the government has launched a series of policies including Made in China 2025 (《中國製造2025》), the 14th Five-Year Plan (《"十四五"規劃》) and the Implementation Plan for Promoting the Deep Integration and Innovative Development of the Logistics Industry (《推動物流業製造業深度融合創新發展實施方案》) to promote the integration of technology and the digitalization of manufacturing and logistics industries. The implementation of these policies will facilitate the adoption of efficient, cost-saving and environmentally-friendly management of intralogistics equipment, which will in turn stimulate the demand for intralogistics equipment solutions.

Competitive Landscape of the Intralogistics Equipment Solution Market in China

According to the CIC, in 2022, the top five market players in the intralogistics equipment solution market in China accounted for approximately 18.2% of the total market share in terms of revenue. There are a large number of small and medium-scale intralogistics equipment solution providers in the market, each of which provides services with less than 100 units of intralogistics equipment for subscription.

We are the largest provider of intralogistics equipment solutions in China in terms of revenue in 2022, accounting for 7.7% of the total revenue in the market. In addition, we also ranked first among all intralogistics equipment solution providers in terms of equipment fleet size in 2022. Our equipment fleet size in 2022 was larger than the aggregation of fleet sizes of all other market players among top ten market players in the same year. According to CIC, under the effect of economies of scale and technology empowerment, the advantages of leading suppliers will be amplified, and the market concentration is expected to be further improved. The following table illustrates the market shares of the top five market players in China in terms of revenue in 2022:

Ranking	**Name**	**Intralogistics Equipment Solution Business Revenue(1), 2022**	**Market Share(2), 2022**	**Equipment Fleet Size, 2022**
		RMB billion		*'000*
1	Company	0.9	7.7%	39
2	Company A(3)	0.5	4.7%	~10
3	Company B(4)	0.4	3.1%	~8
4	Company C(5)	0.2	1.7%	~7
5	Company D(6)	0.1	0.9%	~3

Source: CIC report

Notes:

(1) The revenue of intralogistics equipment solutions includes the revenue generated from intralogistics equipment subscription services, maintenance and repair services and disposal services.

(2) The market shares are estimated based on each company's revenue generated from intralogistics equipment solution and the market size of intralogistics equipment solutions in China in the corresponding year.

(3) Company A, an unlisted company established in 1993 with its headquarter in Fujian, is a subsidiary of a global intralogistics equipment manufacturer listed in Germany.

(4) Company B, an unlisted company established in 2016 with its headquarter in Shanghai, is a joint venture between a public intralogistics equipment manufacturer listed in China and a public intralogistics equipment manufacturer listed in Germany.

(5) Company C, a company established in 2000 with its headquarter in Zhejiang, is a intralogistics equipment manufacturer listed in China.

(6) Company D, an unlisted company established in 2006 with its headquarter in Jiangsu, is an intralogistics equipment solution provider.

Entry Barriers

- *Abundant supply chain resources*. Intralogistics equipment solution providers should be able to build deep collaborative relationships with, and gain strategical support from upstream suppliers to ensure a stable supply of high-quality intralogistics equipment and parts at favorable costs to meet the diverse needs of customers in terms of intralogistics equipment management. New market participants may not have sufficient supply chain resources, and therefore, may have difficulties in gaining competitive advantage or enter the industry in the short term.

- *Innovative digital capabilities*. It is crucial for intralogistics equipment solution providers to possess digital capabilities to achieve dynamic and transparent management of intralogistics equipment to further streamline their internal management and improve operational efficiency. New entrants without such capabilities and techniques may face greater challenges when entering the market.

- *Broad service network*. When customers request for services of intralogistics equipment solutions, the providers must respond promptly to address customers' demand, which requires a broad service network covering numerous cities in China, as well as a well-trained management team with industry know-how and operational experience. Such requirements form a high entry barrier for new market participants that are not equipped with a broad service network and a well-trained management team.

Threats and Challenges

The major threats and challenges posed to the intralogistics equipment solutions market in China include the following aspects:

(i) The slowdown of economic growth in China may adversely affect the manufacturing, logistics and e-commerce industries, which in turn may reduce the demand for intralogistics equipment solutions;

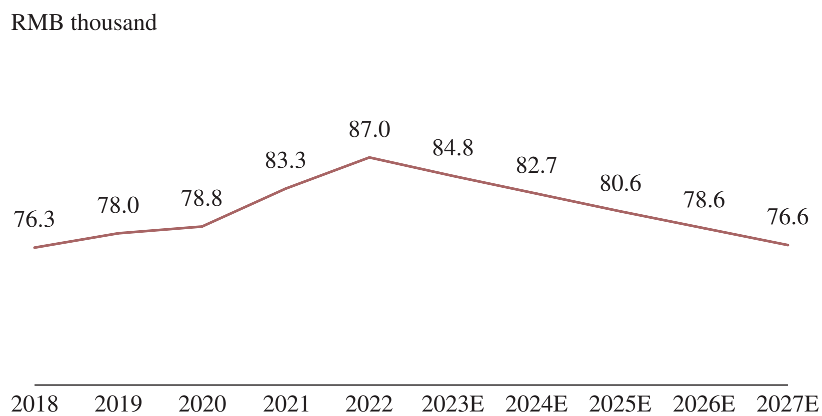
(ii) The low penetration rate of intralogistics equipment solutions in China indicates that the solution providers need to invest more time to increase the market acceptance of intralogistics equipment solutions among enterprise customers;

(iii) It may be difficult for solution providers to obtain sustainable, stable, sufficient and low-cost financing resources.

Cost Structure of the Intralogistics Equipment Solution Market

The cost of intralogistics equipment solution mainly consists of the cost of intralogistics equipment procurement and labor cost. Specifically, with respect to the intralogistics equipment procurement cost, China's producer price index (PPI) of industrial equipment for general use is relatively stable, fluctuating around PPI 100 over the past decade, and is expected to remain at this level in the years ahead. In recent years, the cost of intralogistics equipment has risen as a result of the increased adoption of new energy equipment, the price of which is usually slightly higher than the price of traditional energy equipment. In addition, the price of lithium battery raw materials has fluctuated due to the surge in demand for lithium batteries in the automobile and other industries, which has also affected the equipment procurement cost. Regarding the labor cost, the average annual salary in the subscription and business services industry has risen from RMB81,393 in 2017 to RMB102,537 in 2021, and is expected to reach RMB137,409 in 2027. In the future, as upstream production capacity expands, the cost of intralogistics equipment is expected to decline. The intralogistics equipment procurement cost has increased from RMB76,300 in 2018 to RMB87,000 in 2022, but is expected to decrease to RMB76,600 in 2027. The following chart illustrates the historical and forecasted intralogistics equipment procurement costs.

Intralogistics Equipment Procurement Costs, 2018-2027E



Source: CIC report

Note:

* The above intralogistics equipment procurement costs are calculated or estimated based on the price of counterbalanced forklifts, including ICE-powered counterbalanced forklifts and electric counterbalanced forklifts.

Future Trends of the Intralogistics Equipment Solution Market in China

- *Continuous increase in market concentration*. The intralogistics equipment solution market in China is still in the early stage of development, with a significant market share occupied by a large number of small- and medium-scale players. In the future, the market players with low equipment amount, limited customer resources and weak service capabilities will not be able to compete with leading players in the market that can provide a broad portfolio of equipment and comprehensive services covering the full lifecycle of equipment management. As a result, the leading intralogistics equipment solution providers will gain larger market shares and the market will further consolidate.

- *Growing penetration rate*. The penetration rate of the intralogistics equipment solution market in China is relatively low as compared to those of the developed countries. According to CIC, the estimated penetration rate of intralogistics equipment solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment solutions in China was approximately 3.7% in the same year. As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment solutions have now become a recent trend for intralogistics equipment management, and the market penetration rate is expected to further increase in the future.

- *Diversified equipment categories.* Enterprises' needs for various intralogistics equipment categories will continue to expand in the coming years. In order to meet the changing needs of enterprises, intralogistics equipment solution providers will build a more flexible equipment fleet with a more diversified range of equipment categories.

- *Broadened service portfolio.* As the needs for full cycle management of intralogistics equipment are increasing, intralogistics equipment solution providers have gradually begun to provide a broad portfolio of services including intralogistics equipment subscription services, repair and maintenance services, management optimization services and disposal services. In the future, driven by higher requirements for environmental-friendly measures and overall efficiency, the equipment deep repair business will be further developed to restore the performance and condition of intralogistics equipment and extend its useful life as much as possible.

- *Adoption of environmentally friendly development path.* With a series of policies issued by the PRC government to promote the principles of waste reduction and the recycling of equipment and materials, intralogistics equipment solution providers are expected to explore new ways to dispose of equipment, and develop environmentally friendly businesses such as equipment ecological treatment and battery recycling.

INTRALOGISTICS EQUIPMENT AND PARTS SALES MARKET IN CHINA

According to CIC, many market players in the intralogistics equipment solution market start with certain main business segments in the market, such as intralogistics equipment subscription services, or business in related industries, such as sales of intralogistics equipment and parts. However, along with the increasing demand of downstream enterprises for cost reduction and efficiency improvement, and considering development of e-commerce platforms and intensification of market competition in the intralogistics equipment and parts sales market, these market players are thus gradually evolving into intralogistics equipment solution providers by expanding their business to include intralogistics equipment subscription services as well as maintenance and repair services to meet the demands of customers.

Market Size of the Intralogistics Equipment And Parts Sales Market In China

The intralogistics equipment and part sales market includes the sales of new intralogistics equipment and parts. According to the CIC, the market size of the intralogistics equipment and parts sales market in China reached RMB154.9 billion in 2022. With the further automation and intelligence of intralogistics equipment, the demand for intralogistics equipment will further expand. Driven by the growing domestic demand for intralogistics equipment from various industries, coupled with the continuous expansion of intralogistics equipment exports, the intralogistics equipment and parts sales market in China continues to maintain a growth trend, which is expected to reach RMB321.7 billion in 2027, growing at a CAGR of approximately 15.7% from 2022 to 2027.

Future Trends of the Intralogistics Equipment And Parts Sales Market In China

- *Intelligent development.* Currently, industrial intelligence has become a key strategy for the development of manufacturing and logistics industries. With the rapid development of innovative technologies such as industrial internet, AI, and cloud computing, intelligent logistics equipment has further been developed and downstream applications are supported by these technologies to achieve real-time monitoring, intelligent scheduling, and unmanned operation, thereby further improving supply chain management efficiency and reducing labour costs. Therefore, the trend towards intelligence is expected to continue to drive the development of the intralogistics equipment and parts sales market.

- *Domestication of intralogistics equipment and parts.* In recent years, leading domestic manufacturers have accelerated the transformation of research results into products that can be applicable to various industries. They have gradually achieved domestication of sensors, power systems, and core components, and steadily reduced the procurement price and comprehensive delivery costs by building industrial chain clusters and production bases. In the future, the comprehensive competitiveness of leading domestic suppliers is expected to be further improved, and the process of domestication is expected to accelerate.

Competitive Landscape of the Intralogistics Equipment And Parts Sales Market In China

In the intralogistics equipment and parts sales market in China, the sales network is relatively diversified, including direct sales by intralogistics equipment manufacturers, and indirect sales by authorized and franchised dealers including intralogistics equipment service providers, dealers, agents, and e-commerce platforms, etc. Intralogistics equipment manufacturers typically serve customers with more concentrated orders through direct sales channels, and meet the relatively dispersed order demand through non-direct sales channels. As of 2022, approximately 37.1% of the market was sold through non-direct sales channels, according to the CIC report. The market size of the intralogistics equipment and parts sales market in China in the non-direct sales channel increased from approximately RMB31.8 billion in 2018 to RMB57.5 billion in 2022, and is expected to further grow to RMB110.1 billion in

2027. As intralogistics equipment manufacturers usually restrict the geographic coverage of their authorized dealers, and may restrict them from carrying out equipment from other manufacturers, the market of non-direct sales channels is highly fragmented, with more than 3,000 market participants scattered across the country. Only a few distributors are able to cover the market at multiple provincial levels in the non-direct sales channel. According to the CIC report, in the non-direct sales channels of the intralogistics equipment and parts sales market in China, we ranked first in terms of sales revenue of intralogistics equipment and parts in 2022. The following table illustrates the market shares of the top five market players in China in terms of sales revenue in 2022.

Ranking	**Name**	**Intralogistics Equipment and Part Sales Revenue, 2022** *RMB billion*	**Market share[1], 2022**
1	Company	0.3	~0.2%
2	Company E[2]	0.1	<0.1%
3	Company F[3]	<0.1	<0.1%
4	Company G[4]	<0.1	<0.1%
5	Company H[5]	<0.1	<0.1%

Source: CIC report

Notes:

(1) The market shares are estimated based on each company's revenue generated from sales of new intralogistics equipment and parts and the market size of intralogistics equipment and part sales in China in the corresponding year.

(2) Company E, an unlisted company established in 1993 with its headquarter in Guangdong, is an intralogistics equipment sales company covering southern China regional markets.

(3) Company F, an unlisted company established in 2003 with its headquarter in Beijing, is an intralogistics equipment sales company covering the regional markets of Beijing and its surrounding areas.

(4) Company G, an unlisted company established in 2015 with its headquarter in Tianjin, is an intralogistics equipment and part sales company covering northern China regional markets.

(5) Company H, an unlisted company established in 2001 with its headquarter in Beijing, is an intralogistics equipment and parts sales company covering northern and central China regional markets.