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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### SOURCES OF INFORMATION

This section includes information from the Frost & Sullivan Report, a report commissioned by us, as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. We have agreed to pay Frost & Sullivan a total of RMB800,000 in fees for its commissioned undertakings, which we believe to be consistent with market rates. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan performed both primary research which involved conducting interviews with leading industry participants and experts and secondary research which involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s research database. Frost & Sullivan also assumed that China’s economy is likely to maintain its steady growth in the forecast period, China’s social, economic and political environment is likely to remain stable in the forecast period, relevant market drivers are likely to drive the growth of the global cross-border logistics solution industry, and there is no extreme force majeure or industry regulation which may dramatically or fundamentally affect the market.

### OVERVIEW OF GLOBAL IMPORT AND EXPORT TRADE AND CROSS-BORDER E-COMMERCE INDUSTRY

#### Overview of Global Import and Export Trade

Benefited from the growth of global economy and the increase in consumer purchasing power, the global import and export trade has continuously expanded over the past few years. The chart below sets forth total import and export value of each major economy in the world for the years indicated.

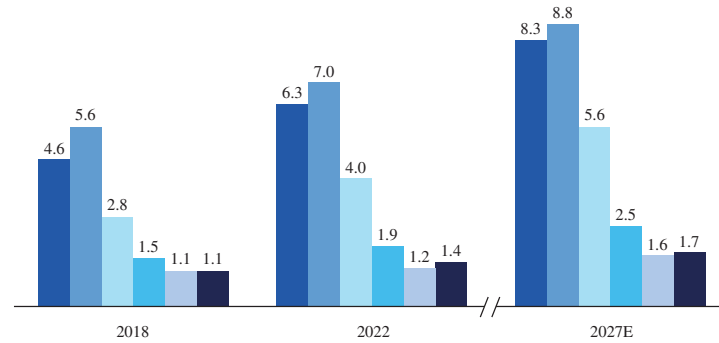
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### Import and Export Value Breakdown by Global Major Economies

USD Billion; 2018-2027E

CAGR	China	U.S.	Germany	Japan	U.K.	South Korea
2018-2022	7.9%	5.6%	9.5%	6.3%	2.3%	5.5%
2022-2027E	5.8%	4.7%	7.2%	5.4%	5.1%	3.8%

■ China 
 ■ U.S. 
 ■ Germany 
 ■ Japan 
 ■ U.K. 
 ■ South Korea



Source: National Bureau of Statistics of China, BEA, Japan Customs, Bank of Korea, Frost & Sullivan Report

### Overview of Global E-commerce Market

With the increasing penetration of internet technology, the global e-commerce market has shown rapid growth in recent years. The outbreak of COVID-19 in 2020 changed customers’ shopping habits and accelerated the transition of consumption pattern from traditional offline shopping to shopping from online channels and platforms, leading to further development and expansion of the global e-commerce market.

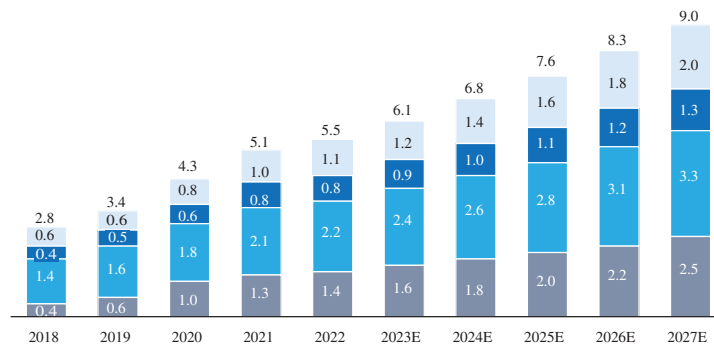
The chart below sets forth the market size of the global e-commerce market for the years indicated.

### E-commerce Market, Global

USD Trillion; 2018-2027E

CAGR	Total	North America	Europe	China	RoW
2018-2022	18.3%	16.1%	18.7%	11.6%	37.4%
2022-2027E	10.6%	12.6%	10.7%	8.5%	11.7%

■ North America 
 ■ Europe 
 ■ China 
 ■ RoW



Note: The market size refers to the sum of GMV generated from e-commerce platforms

Source: eMarketer and Frost & Sullivan Report

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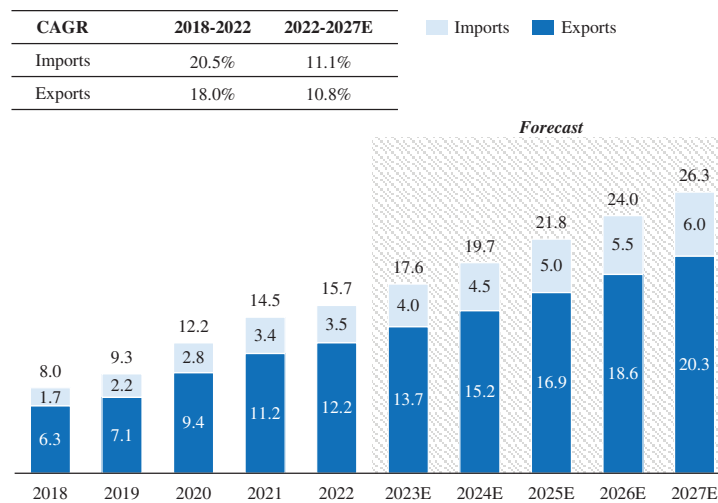
### The Cross-border E-commerce Market in China

Fueled by the development of cross-border services, overseas logistics, mobile payment solutions and the ease of regulatory environment, the market size of the cross-border e-commerce market in China experienced a significant growth. In terms of GMV, the exports of cross-border e-commerce market occupied majority of the overall cross-border e-commerce market in China in the past few years, mainly due to relatively lower labor cost and manufacturing cost in China. Driven by technology disruption, the exported product categories are expected to expand from low-end products to high-end products in China. The current size and expected growth of the global and China’s cross-border e-commerce markets are mainly related to the consumption willingness and purchasing power of online consumers.

The chart below sets forth the market size of the cross-border e-commerce market in China for the years indicated.

#### Cross-border E-commerce Market Breakdown by Category, China

RMB Trillion; 2018-2027E



*Note: The market size refers to the sum of GMV of all cross-border e-commerce platforms.*

*Source: Frost & Sullivan Report (estimated by Frost & Sullivan after conducting interviews with experts from major cross-border e-commerce platforms such as Amazon, Wish, AliExpress and eBay and reviewing the reports issued by third-party organizations)*

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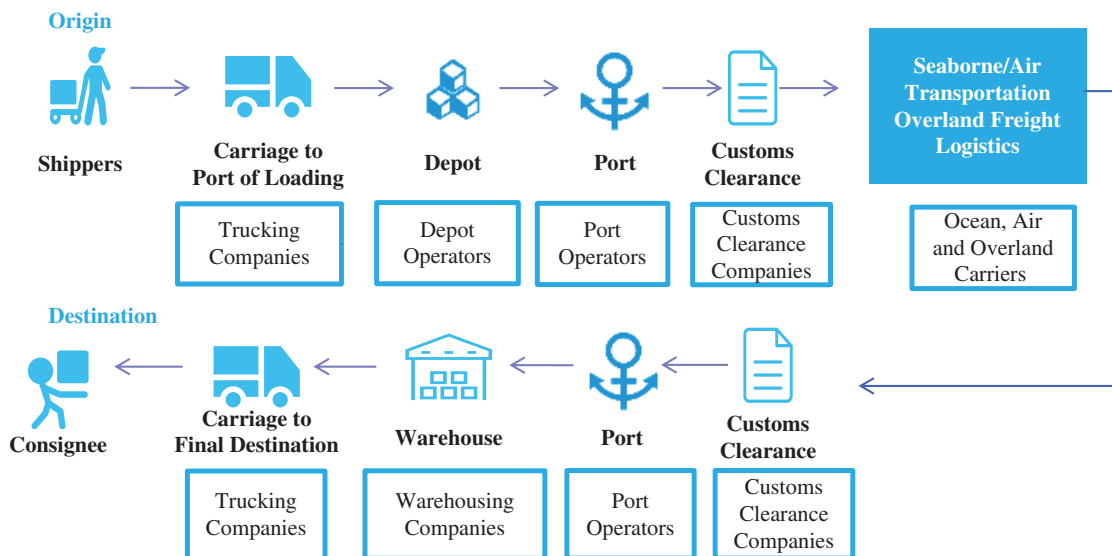
### Chinese Brands’ Overseas Expansion Analysis

Chinese brands’ overseas expansion can be classified as three stages, namely emerging stage, expanding stage and flourishing stage. In emerging stage, most of Chinese brands simply export products and extend the sales channel to overseas markets with limited experience or knowhow on managing cross-border logistics. In expanding stage, many Chinese brands started building warehouses and distribution centers and even participating in operating logistics nodes. In flourishing stage, Chinese brands prefer to construct overseas manufacturing factories to mitigate risks of cross-border transportation and promptly respond market demand. Chinese brands in flourishing stage are more likely to cooperate with the cross-border logistics service providers who have strong capabilities to integrate the logistics resources including warehousing, vessels and transportation, so that integrated cross-border logistics solutions could be provided to these Chinese brands. These solutions could enable Chinese brands in flourishing stage to effectively decrease the logistics cost and better control the risks from long-distance cross-border transportation.

### GLOBAL CROSS-BORDER LOGISTICS SERVICE MARKET

#### Overview

Cross-border logistics services primarily refer to a series of services that facilitate the delivery of cargos from shippers to consignees who are usually located in different countries. The chart below indicates the value chain of cross-border logistics services.



Source: Frost & Sullivan Report

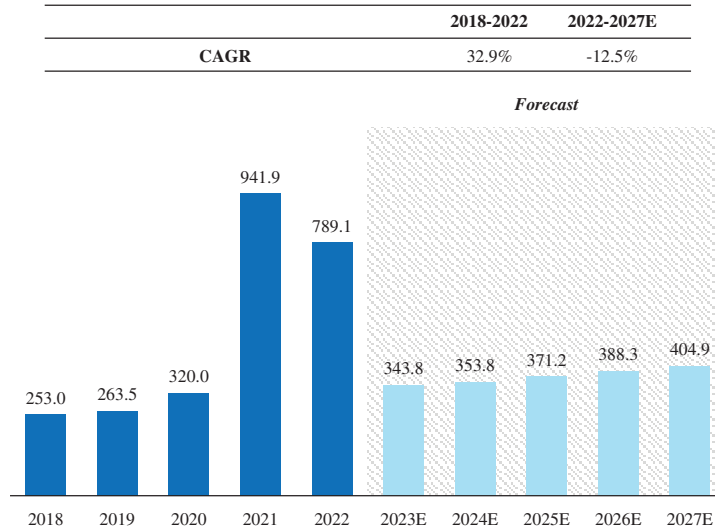
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### The Market Size of Cross-border Logistics Service Market

#### *The market size of global cross-border logistics service market*

The chart below sets forth the market size of global cross-border logistics service market for the years indicated.

**Cross-border Logistics Service Market, Global**  
USD Billion; 2018-2027E



*Note: The market size refers to the sum of revenue generated by cross-border logistics service providers.*

*Source: Drewry, ICAO Air Transport Report, Freightos FBX and Frost & Sullivan Report*

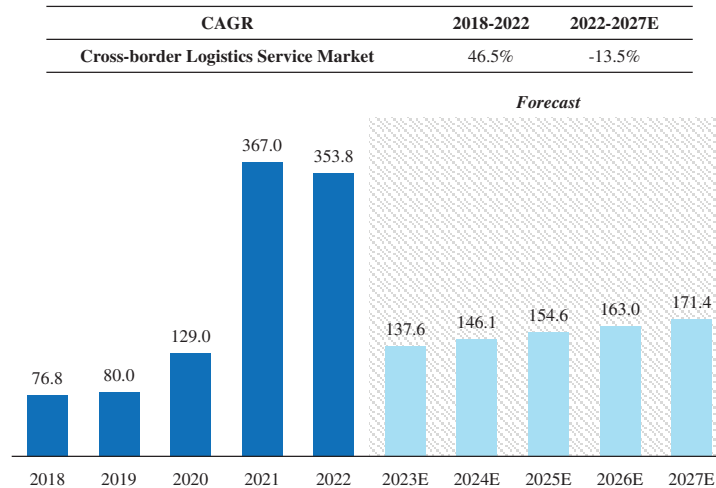
The market size of global cross-border logistics service is affected by shipping volume and prevailing freight rate in the cross-border logistics service market. The market size of global cross-border logistics service has significantly increased during the past few years, in particular from 2020 to 2021. In 2020, the outbreak of the COVID-19 gave rise to the shortage of shipping capacity and port congestion, which led to significant raise of freight rates for cross-border logistics services from 2020 to 2021. As restrictions of the COVID-19 pandemic are gradually lifted, cross-border shipping capacities are being released in the market. As a result, it is forecasted that the global cross-border logistics service market will experience considerable decrease in 2023 as compared to 2021 and 2022, but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027.

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### *The market size of the cross-border logistics service market in China*

The chart below sets forth the market size of China’s cross-border logistics service market for the years indicated.

**Cross-border Logistics Service Market, China**  
USD Billion; 2018-2027E



*Note: The market size refers to the sum of revenue generated by cross-border logistics service providers in China.*

*Source: Drewry and Frost & Sullivan Report*

Propelled by the rapid expansion of China-based brands across the globe and boosted efficiency of digitalized logistics services, China’s cross-border logistics service market experienced a stable growth. Due to the outbreak of the COVID-19 pandemic, the price of cross-border logistics services increased notably. As the volume of cross-border logistics remained relatively stable during the COVID-19 pandemic while the price increased to a great extent, the cross-border logistics service market in China significantly increased to USD367.0 billion in 2021. As the effects of the COVID-19 pandemic on the cross-border logistics service market in China has gradually lessened, the cross-border logistics service market in China decreased to USD353.8 billion in 2022, which is expected to further decrease in 2023 but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027. The current size and expected development trend of the global and China’s cross-border logistics services markets are mainly related to the current and expected volume of exported freight and the cross-border freight rates.

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### *Discussion of Shipping Volume and Freight Rates from 2023 to 2027*

The global and China cross-border logistics service markets are expected to experience considerable decrease in 2023 as compared to 2021 and 2022 but will remain above the pre-COVID level in 2019 and grow steadily from 2023 to 2027. The following tables set forth the global and China cross-border logistics service markets for the years indicated, with a breakdown of freight rates and shipping volume in each of the seaborne and air transportations for the corresponding periods:

#### *Global Cross-border Logistics Service Market*

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR18-22	CAGR22-27E
Global Freight Rate of Seaborne Transportation (USD/TEU)	880.0	900.0	1,250.0	3,950.0	3,337.8	1,255.0	1,275.1	1,292.9	1,308.4	1,321.5	39.6%	-16.9%
Global Cross-border Seaborne Freight Volume (Million TEU)	192.0	202.0	193.0	207.0	200.8	207.6	214.5	221.3	228.2	235.0	1.1%	3.2%
Global Freight Rate of Air Transportation (USD/Ton)	2,160.0	2,150.0	2,600.0	3,500.0	3,622.5	2,336.5	2,091.2	2,143.5	2,194.9	2,245.4	13.8%	-9.1%
Global Cross-border Air Freight Volume (Million Ton)	38.9	38.0	30.3	35.5	32.8	35.6	38.4	39.7	40.9	42.0	-4.1%	5.0%
Global Cross-border Logistics Service Market (USD Billion)	253.0	263.5	320.0	941.9	789.1	343.8	353.8	371.2	388.3	404.9	32.9%	-12.5%

#### *China Cross-border Logistics Service Market*

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR18-22	CAGR22-27E
China Freight Rate of Seaborne Transportation (USD/TEU)	907.7	901.5	1,579.7	4,566.0	4,794.2	1,580.0	1,614.8	1,647.1	1,676.7	1,703.5	51.6%	-18.7%
China Cross-border Seaborne Freight Volume (Million TEU)	62.8	67.0	65.4	70.9	69.1	71.7	74.5	77.2	80.0	82.7	2.4%	3.7%
China Freight Rate of Air Transportation (USD/Ton)	3,313.4	3,267.3	4,227.7	5,883.7	3,430.7	3,533.6	3,632.5	3,727.0	3,816.4	3,900.4	0.9%	2.6%
China Cross-border Air Freight Volume (Million Ton)	6.0	6.0	6.1	7.4	6.6	6.9	7.1	7.4	7.6	7.8	2.7%	3.4%
China Cross-border Logistics Service Market (USD Billion)	76.8	80.0	129.0	367.0	353.8	137.6	146.1	154.6	163.0	171.4	46.5%	-13.5%

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According to Frost & Sullivan, the shipping volume of cross-border logistics services is expected to grow steadily. Specifically, global container shipping volume and global air transportation volume are expected to maintain stable growth at a CAGR of approximately 3.2% and 5.0%, respectively, between 2022 and 2027. For global container shipment, the regulators have extended terminal operating hours, increased height limit of containers temporarily stacked in the berths to enhance vertical storage space at the terminal and encouraged shippers to get containers out of the terminal faster. For global air transportation, the cross-border flights are also gradually resuming and alleviating the shortage of air shipping capacity.

Freight rates are expected to fluctuate from 2023 to 2027. In 2020, the outbreak of the COVID-19 pandemic gave rise to the shortage of shipping capacity and port congestion, which led to significant raise of freight rates for cross-border logistics services from 2020 to 2021. As restrictions of the COVID-19 pandemic are gradually lifted, cross-border shipping capacities are being released in the market. In addition, the improvement of labor supply have enabled ports to decongest. As a result, China Average Composite Containerized Freight Index has been decreasing since August 2022. Accordingly to Frost & Sullivan, the decline of freight rates in recent months signified that cross-border logistics service market is returning to normalcy.

According to Frost & Sullivan, while the freight rates have declined, it is highly unlikely that freight rates will fall below pre-COVID level in 2019 for the following reasons. First, the global e-commerce market will continue its rapid growth. As customers' shopping habits have transitioned from traditional offline shopping to online channels, the global e-commerce market is expected to grow at a CAGR of 10.5% from 2022 to 2027. The rise of global e-commerce market will continue to stimulate demand for cross-border logistics services. Second, the falling freight rates have led to an increase in blank sailing of container transportation. Shipping carriers will continue to make capacity adjustment to align with demand fluctuation. The freight rates are expected to fluctuate during the short term, but they are unlikely to fall below pre-COVID level in 2019 in the long run.

### **The Global Seaborne Transportation Markets**

Cross-border seaborne transportation service is crucial in cross-border merchandise flow because it is relatively convenient and affordable. In the past years, global cross-border seaborne transportation market experienced stable growth. The proliferation of global retail and e-commerce market is expected to drive export volume and cross-border transportation needs, stimulating substantial demand for the industry. Among all trade lanes in global cross-border seaborne transportation market, the following trade lanes play a vital role:

- (i) Asia-North American trade lane, as more and more manufacturing capacity has been shifting from western countries towards eastern Asia in recent years, illustrating the increasing exporting volume through cross-border logistics;



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- (ii) Asia-Latin America trade lane, as in the past few years, Asia has greatly expanded their trade activities across Latin America territories;
- (iii) Asia-Europe trade lane, as commercial and trade activities between Asia and European countries have been more flourishing through e-commerce channels; and
- (iv) Intra-Asia trade lane, as many supportive policies and treaties are actively promoting international trade of Intra-Asia trade lane, further facilitating the expansion of the logistics service market in Asia.

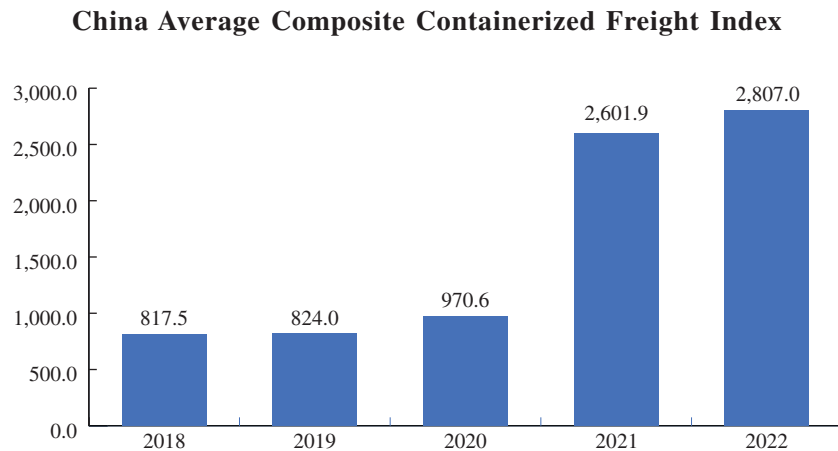
The table below sets forth the container shipping volume of the global seaborne transportation market and the major trade lanes measured by million TEUs for the years indicated:

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
	<i>(TEUs Million)</i>									
Global seaborne transportation	192.0	202.0	193.0	207.0	200.8	207.6	214.5	221.3	228.2	235.0
Asia-North America trade lane	28.3	28.7	27.7	32.7	31.9	33.4	34.9	36.4	37.9	39.5
Asia-Latin America trade lane	2.5	2.5	2.4	2.8	2.7	2.8	2.9	3.0	3.2	3.3
Asia-Europe trade lane	24.3	24.7	23.0	26.3	25.7	26.6	27.5	28.5	29.4	30.3
Intra-Asia trade lane	27.0	24.0	26.0	34.0	32.7	34.3	36.0	37.7	39.4	41.1

*Source: Clarkson, Alphaliner, Datamyne and Frost & Sullivan Report*

### China Containerized Freight Index

The chart below sets forth the China Average Composite Containerized Freight Index for the years indicated:



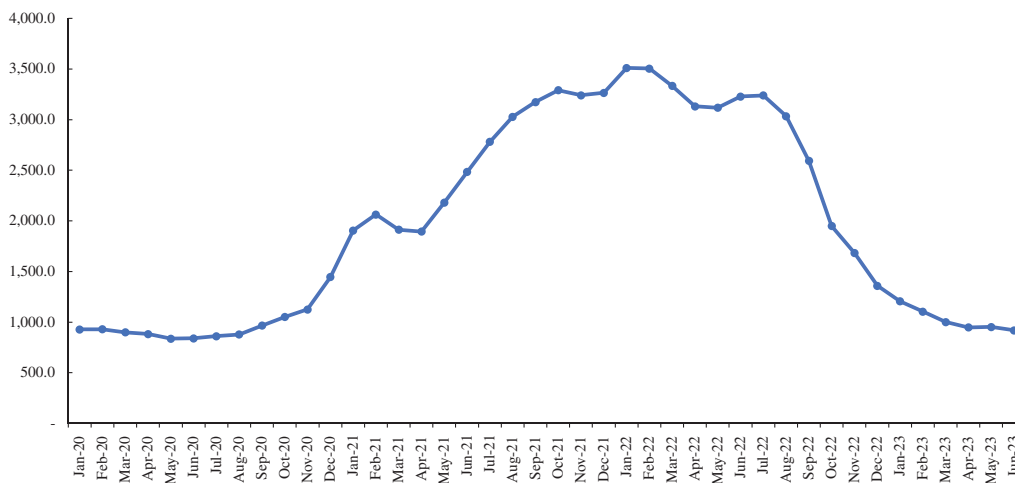
*Source: Ministry of Transport of the People’s Republic of China*

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China Average Composite Containerized Freight Index increased significantly from 970.6 in 2020 to 2,601.9 in 2021, and further to 2,807.0 in 2022. The significant increase was primarily due to insufficient shipping capacity in cross-border logistics industry and low efficiency of port operation, resulted from the COVID-19 pandemic and the relevant restrictive measures.

In addition, the chart below sets forth the monthly China Average Composite Containerized Freight Index during the Track Record Period and up to June 30, 2023:

**China Average Composite Containerized Freight Index  
(Jan 2020-Jun 2023)**



Source: Ministry of Transport of the People's Republic of China

Since late 2022, there was a decline in the China Average Composite Containerized Freight Index, which decreased significantly from 2,807.0 in 2022 (on an annual monthly average basis) to 918.9 in June 2023 as compared to 2,483.6 and 3,228.4 in June 2021 and 2022, respectively, on a monthly basis, while it was still higher than the pre-COVID level, which was 808.6 in June 2019.

### **The Ocean Shipping Reform Act of 2022 (the “OSRA 2022”)**

On June 16, 2022, the President of the United States signed into law the OSRA 2022, which amended the Shipping Act of 1984. The OSRA 2022 increases the authority of the Federal Maritime Commission (the “FMC”) to govern international ocean shipping and to promote the growth of export activities of the United States through a maritime system that is transparent, efficient, and fair. The OSRA aims to (i) expands safeguards to combat retaliation and deter unfair business practices; (ii) clarifies prohibited carrier practices pertaining to detention and demurrage charges and vessel space accommodation; (iii) establishes a shipping exchange registry through the FMC; (iv) expands penalty authority to include refund of charges; and (v) increases efficiency of the detention and demurrage complaint process, among other things. The impact of the OSRA 2022 is limited to market freight rates. Moreover, prohibiting unreasonable refusal of cargo space may, to some extent, prolong the length of shipping period, which is viewed as a positive boost on the ocean freight rate.

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### Competitive Landscape of the Cross-border Logistics Service Market in China

#### Top 15 cross-border logistics service providers in China

The cross-border logistics service market in China is fragmented with top 15 service providers (privately owned and state-owned) holding only an aggregate 12.2% market share in terms of revenue in 2022. The top companies withhold strong capabilities to deliver goods with cross-border door-to-door services through self-operated heavy assets, comprehensive information system and bargaining power of seaborne/air transportation space booking. It is expected that more cross-border logistics service providers will enhance their cost-control abilities and develop centralized logistics system to strengthen their cross-border logistics service abilities.

The chart below sets forth top 15 cross-border logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border logistics Services, China, 2022						
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share	Background
1	I	2002	Beijing	14,787.7	4.2%	A leading comprehensive logistics service provider and integrator in China listed on Shanghai and Hong Kong Stock Exchange. Company I provides personalized logistics solutions and one-stop logistics services.
2	J	2000	Hong Kong	8,627.6	2.4%	A Hong Kong Stock Exchange listed company. Company J is a leading logistics service provider that primarily offers integrated logistics services and international freight forwarding services (air, ocean, road, rail and multimodal).
3	CTS International Logistics	1984	Shanghai	3,282.9	0.9%	A Shanghai Stock Exchange listed company. The company is a leading comprehensive international third party logistics service and international logistics solution provider.
4	A	2009	Shenzhen	2,600.0	0.7%	An unlisted international logistics group. Company A is dedicated to providing end-to-end cross-border air transportation services and overseas warehouse services mainly to cross-border e-commerce sellers.
5	K	1990	Shandong	2,000.0	0.6%	An unlisted company primarily provides shipping agency services. Company K processes more than 100 international agency networks and its major routes include Europe, the Mediterranean, the black sea, U.S. and Canada, etc.
6	B	2009	Shandong	1,826.4	0.5%	A listed cross-border logistic company provides seaborne and air transportation services, including fragmented logistics services, contract logistics services and special supply chain services.
7	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%	A listed company provides cross-border seaborne transportation services, including freight forwarding, depot operation, vessel agency, domestic shipping transportation and large-scale item logistics.
8	L	1997	Hong Kong	1,550.0	0.4%	An unlisted logistics service provider that operates comprehensive point-to-point transportation services from air, ocean, and land transports to warehousing, logistics, inventory management, information and consultation services.
9	Dimerco Express Group	1971	Taiwan	1,473.8	0.4%	A Taipei Stock Exchange listed company dedicated to providing international logistics services and well-rounded logistics solutions with 150+ offices, 80+ contract operations and 200+ strategic partner agents.
10	D	2008	Zhejiang	1,200.0	0.3%	An unlisted international freight forwarder and NVOCC. The business coverage of company E includes freight forwarding, shipping agency, warehousing, trucking, customs declaration and clearance and bulk cargo.
11	C	1990	Shanghai	1,000.0	0.3%	An unlisted company provides end-to-end cross-border supply chain solutions, including seaborne and air transportation. Company C mainly focuses on the Asia-North America trade lanes.
12	F	1998	Beijing	900.0	0.3%	An unlisted cross-border logistics company which mainly provides integrated end-to-end logistic service to cross-border e-commerce sellers with domestic collection service.
13	E	2001	Shanghai	850.0	0.2%	An unlisted cross-border logistic service provider which mainly provides seaborne transportation service based on the self-owned bulk fleet, tank containers, trucks, hubs and warehouses.
14	G	1993	Jiangsu	804.3	0.2%	A listed cross-border logistics company which mainly provides international freight forwarding and integrated supply chain solution for manufacturing enterprises.
15	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>	<b>Our Group is a private cross-border seaborne logistics service provider in China. The business primarily covers cross-border logistics services and vessel chartering services.</b>
<b>Total</b>				<b>43,319.4</b>	<b>12.2%</b>	

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by

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*Frost & Sullivan with experts from leading market players.*

The unnamed competitors in the chart above include Fujian Zongteng Network Co., Ltd., Bondex Supply Chain Management Co., Ltd., DE-WELL Container Shipping Inc., Southeast Logistics Group, Beijing Yanwen Logistics Co., Ltd, Shanghai Huanshi Logistics Co., Ltd., Jiangsu Feiliks International Logistics Inc., Shenzhen 4px Express Co., Ltd., Sinotrans Limited, Kerry Logistics, Cargo Service Far East and Honour Lane Shipping.

### *Top ten PRC-based privately owned cross-border logistics service providers in China*

The chart below sets forth top ten PRC-based privately owned cross-border logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Logistics Service Providers (PRC-based Privately Owned Companies), 2022						
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share	Background
1	A	2009	Shenzhen	2,600.0	0.7%	Company A is an unlisted international logistics group and is dedicated to provide end-to-end cross-border air transportation services and overseas warehouse services mainly to cross-border e-commerce sellers.
2	B	2009	Shandong	1,826.4	0.5%	Company B is a listed cross-border logistics company that provides seaborne and air transportation services, including fragmented logistics services, contract logistics services and special supply chain services.
3	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%	The company is a listed company providing cross-border seaborne transportation services, including freight forwarding, depot operation, vessel agency, domestic shipping transportation and large-scale item logistics.
4	D	2008	Zhejiang	1,200.0	0.3%	Company D is an unlisted international freight forwarder and NVOCC. The business coverage of Company K includes freight forwarding, shipping agency, warehousing, trucking, customs declaration and clearance and bulk cargo.
5	C	1990	Shanghai	1,056.4	0.3%	Company C is an unlisted company that provides end-to-end cross-border supply chain solution, including seaborne and air transportation. Company J mainly focuses on the Asia-North America trade lanes.
6	F	2001	Shanghai	900.0	0.3%	Company F is an unlisted cross-border logistics service provider which mainly provides seaborne transportation service based on the self-owned bulk fleet, tank containers, trucks, hubs and warehouses.
7	E	1998	Beijing	850.0	0.2%	Company E is an unlisted cross-border logistics company which mainly provide integrated end-to-end logistics service to cross-border e-commerce sellers with domestic collection service.
8	G	1993	Jiangsu	804.3	0.2%	Company G is a listed cross-border logistics company which mainly provide international freight forwarding and integrated supply chain solution for manufacturing enterprise.
9	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>	<b>Our Group is an unlisted cross-border seaborne logistics service provider in China. The business primarily covers cross-border logistics services and vessel chartering services.</b>
10	H	2004	Shenzhen	640.0	0.2%	Company H is an unlisted company mainly focusing on providing cross-border e-commerce sellers with integrated cross-border air transportation services.
<b>Total</b>				<b>12,237.5</b>	<b>3.5%</b>	

*Note: The USD/RMB exchange rate is 6.72.*

*Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.*

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### *Top ten cross-border seaborne transportation logistics service providers in China*

The chart below sets forth top ten cross-border seaborne transportation logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Seaborne Transportation Logistics Service Provider, China, 2022					
Ranking	Company	Year Established	Headquarter	Revenue (USD Million)	Market Share
1	I	2002	Beijing	7,387.2	2.2%
2	J	2000	Hong Kong	2,800.0	0.8%
3	China Master Logistics Co., Ltd.	2006	Shandong	1,763.9	0.5%
4	B	2009	Shandong	1,500	0.5%
5	CTS International Logistics	1984	Shanghai	1,464.3	0.4%
6	K	1990	Shandong	1,050.0	0.3%
7	L	1997	Hong Kong	920.0	0.3%
8	D	2008	Zhejiang	840.0	0.3%
9	C	1990	Shanghai	800.0	0.2%
10	<b>Our Group</b>	<b>2004</b>	<b>Shandong</b>	<b>652.9</b>	<b>0.2%</b>
	<b>Total</b>			<b>19,178.3</b>	<b>5.8%</b>

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

### *Top five PRC-based privately owned cross-border seaborne transportation logistics service providers in China*

The chart below sets forth top five PRC-based privately owned cross-border seaborne transportation logistics service providers in China in 2022.

Ranking by Revenue Derived from Cross-border Seaborne Transportation Logistics Service Provider (PRC-based Private Enterprises), 2022				
Ranking	Company	Revenue (USD Million)	Market Share	Self-operated cross-border seaborne transportation service capacity
1	China Master Logistics Co., Ltd.	1,763.9	0.5%	No
2	B	1,500	0.5%	No
3	D	840.0	0.3%	No
4	C	800.0	0.2%	No
5	<b>Our Group</b>	<b>652.9</b>	<b>0.2%</b>	<b>Yes</b>
	<b>Total</b>	<b>5,556.8</b>	<b>1.7%</b>	

Note: The USD/RMB exchange rate is 6.72.

Source: Frost & Sullivan Report, annual reports and prospectuses of listed companies and interviews conducted by Frost & Sullivan with experts from leading market players.

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## INDUSTRY OVERVIEW

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### **Key Growth Drivers for the Cross-border Logistics Service Market in China**

#### *Accelerated overseas expansion of PRC-based brands spawns demand for diverse cross-border logistics services*

There is an increasing number of Chinese brands expanding their business in different geographic markets around the world, driven by maturing business models on the backdrop of a well-established value chain in China. For new market entrants emphasizing on the timeliness of shipping but are concerned on logistics management costs, the end-to-end logistics service providers are able to shorten lead time by offering on-demand delivery. Moreover, end-to-end logistics service providers can provide value-added services, such as sophisticated operation, management and planning. For well-developed brands equipped with overseas infrastructures like warehouses or distribution centers, customized and fragmented cross-border logistics service is catered for their needs to satisfy purchasers with a high-quality and stable shopping experience.

#### *The COVID-19 pandemic significantly facilitated the cross-border logistics service in China*

##### *Accelerating overseas market expansion*

The Chinese government responded swiftly to the COVID-19 pandemic and implemented a series of policies to control the spread of it. Compared to the situations in overseas economies with tight production capabilities and delayed logistics, Chinese exporters are more likely to seize the opportunities in overseas markets leveraging capabilities and resilience of China’s economy.

##### *Changing in consumption habits*

The COVID-19 pandemic has significantly hindered offline consumption due to social distancing policies and compelled mass closures of retail stores. As a result, consumers’ shopping behaviors have extensively transformed from offline to online. The COVID-19 pandemic has created opportunities for market participants to optimize online infrastructure and logistics services to meet consumers’ ever-changing demands.

##### *Supportive policies released by governments*

Government regulation is one of the bedrocks for the development of the cross-border e-commerce market and related logistics service market. The Chinese government proposed a “dual circulation” measure, which indicates to “accelerate the formation of a new pattern of development in which domestic and foreign circulations reinforce each other” to stimulate the economic development. Policies such as establishing the Comprehensive Bonded Zones and exempting the value-added taxes and consumption taxes extensively propelled the growth of China’s cross-border e-commerce market and cross-border logistics service market in the scale of import and export trade.

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### *Digitalization gives an essential impetus for logistics efficiency*

Digital technologies such as blockchain, IoT, RFID and AI are applied to optimize planning, sourcing and tracking throughout the whole cross-border logistics. Besides, the COVID-19 pandemic has hastened the cross-border logistics to shift towards digitalization due to strict health protocols that largely moved away face-to-face manual logistics operation and transaction. Cross-border logistics service providers have established comprehensive platforms to connect each key process of logistics, making delivery services more transparent and efficient.

### **Development Trend for the Cross-border Logistics Service Market in China**

#### *Deeper adoption of visualization and cloud technology*

The digitalization which involves data visualization and cloud technology throughout whole cross-border logistics is anticipated to be the key for efficiency improvement. It emerges to operate logistics platforms jointly between consumers, retailers or merchants and suppliers by assessing, integrating and visualizing real-time logistics and operation overview by tracking each stage of cross-border logistics. The transparency and visibility of delivery and transportation process enable companies to optimize operational performance and customers to monitor their orders as they move across the whole logistics process, bringing customers trust and strong end-user stickiness. Consequently, more cross-border retailers and merchants are attracted to access logistics service from integrated cross-border logistics service providers.

#### *Intensified competition provokes increasing concentration*

The competitive landscape of the cross-border logistics service market is expected to be concentrated in the long run. The leading cross-border logistics service providers tend to operate essential trade routes on their own and establish field stocking locations and warehouses to provide stable and standardized services, strengthening their competitive advantages of integrating and controlling freight, warehousing and delivery resources. In addition, top market players will continuously expand their market shares by merger and acquisition activities.

#### *Platform-based and integrated cross-border logistics services strengthen companies' competitive advantages*

Due to divergent product lines and various customer segments, brand owners are encountering more fragmented destinations, smaller load, and higher frequency of delivery schedules. Freight and forwarding demands are shifting from full container load towards less-than-container load, revealing a lucrative market of platform-based and integrated cross-border logistics services. Platform-based logistics service is based on extensive transportation resources including self-operated and third parties shipping networks to serve customers according to industry segment, customer density, distance, responsiveness required and the value and quantity of the products. Further, integrated cross-border logistics services

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empower brand owners, retailers and manufacturers to enhance their transparency and efficiency of logistics. The platform-based and integrated cross-border logistics services facilitate companies to achieve commercial success in the competition.

### *Increasing demand for the stability and safety of cross-border logistics services*

Due to the ever-changing international environment, it is crucial for cross-border logistics service providers to fulfill their promise of on-time delivery at a predictable cost to customers. Meanwhile, the increasing variety of cross-border consignors involving B2B or B2C e-commerce sellers require not only large-scale or repetitive industrial shipments but also highly variable and specific orders that form the bulk of e-commerce transactions. Such orders with small quantity but high frequency have to be served by sophisticated and reliable cross-border logistics services for consignors to provide their customers with a high degree of certainty in terms of full cost and transit time.

### *Increasing investments in self-owned fixed assets to strengthen fulfillment capability*

In the long run, more and more industry players are expected to increase their investments in fixed assets, such as vessels and warehouses to enhance the precision and stability in cross-border seaborne transportation capacity. The service providers equipped with self-owned cross-border seaborne transportation and warehousing capabilities can better grasp the logistics information in the first moment and provide most value-to-money price towards customers, resulting in acquiring continuously-growing number of customers looking for stable and high-quality logistics service.

## **Entry Barriers for the Cross-border Logistics Service Market in China**

### *Comprehensive network and industry resources*

Extensive geographic coverage, sufficient freight capability on essential trade lanes, and integrated end-to-end resources are pillars for cross-border logistics service providers to maintain leadership. A comprehensive network and industry resources can meet customers' ever-changing demand by providing flexible and miscellaneous logistics solutions. Further, a comprehensive network and industry resources enable leading cross-border logistics service providers to grasp opportunities in considerable verticals, such as e-commerce. New entrants are not able to build such comprehensive network with limited capability and resources.

### *Self-operated cross-border seaborne transportation*

Self-operated cross-border seaborne transportation helps cross-border logistics service providers to improve operating efficiency and customer stickiness and satisfaction. Moreover, it benefits top players with stable transportation cost and capability compared to traditional or new market players which heavily rely on third parties. New market entrants would need significant capital resources to fund their operations of self-operated cross-border seaborne transportation and cover the procurement costs of heavy assets.



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### *Digitalization in management and operation*

Cross-border logistics service providers need to have good command of industry know-how and be equipped with digitalization systems, which can greatly improve management efficiency, to mitigate operation risks to a large extent. Therefore, top market players across the whole logistics chain can make operations smoother and services more competitive leveraging advanced digitalized information systems. Lacking strong capital investment and industry expertise, new market entrants may face difficulties in establishing information systems in each stage of cross-border logistics services to cater various demands from customers.

### *Strong customer relationship*

The long-term cooperation and diverse client base contribute sustainable demand to cross-border logistics services. Specifically, large client base and solid customer relationships guarantee ever-increasing scale and density of orders, making market players the best use of resources and infrastructure. Moreover, leveraging high operation efficiency and notable brand name, leading market players can attract customers more easily than new entrants.

### *Industry expertise and authorized certifications*

The cross-border logistics service market is highly complicated. Market players are required to deal with various authorized licenses and qualifications. The cross-border logistics service providers are bound to have the ability to deal with customs brokerage, warehouse management, freight and forwarding business to overcome underlying obstacles and mitigate uncertainties. Multiple license and qualification requirements for operating shipping routes among different countries can be major barriers for new entrants.

### **Cost Analysis**

The main factors affecting the costs for cross-border logistics service industry include container vessel charter rates, global bunker prices and global cross-border seaborne transportation rates.

The containership charter rates and global cross-border seaborne transportation rates increased dramatically in 2021. Due to the ongoing COVID-19 pandemic, major ports have limited capacity to manage incrementing freight volume, resulting in an uneven distribution of cross-border seaborne transportation service capacity globally. From 2018 to 2022, the global cross-border seaborne transportation rates increased from approximately USD880.0 per TEU to USD3,318.0 per TEU, representing a CAGR of approximately 39.3%.

After a sharp drop in 2020 triggered by the COVID-19 pandemic and the subsequent decrease in economic activities around the world, the global bunker prices have experienced a continuous upward trend regarding the growth in prices for marine gas oil, low sulfur fuel oil and high sulfur fuel oil.