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## INDUSTRY OVERVIEW

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*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 lifecycle management 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 LIFECYCLE MANAGEMENT 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,

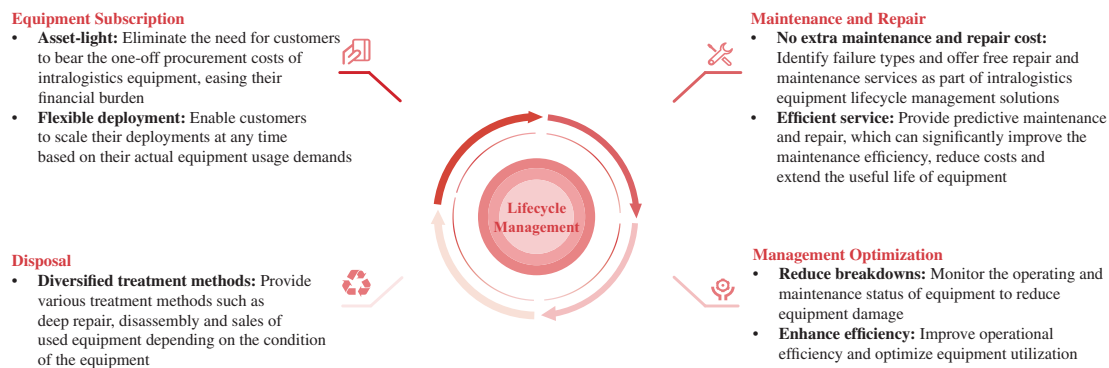
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moving or stacking heavy objects over short distances. Forklifts are highly standardized and can be deployed flexibly, as they have low requirements in terms of the type of goods to be carried and the space available at the operating site, and have 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 lifecycle management solutions have been introduced to address the above pain points of the traditional intralogistics equipment procurement mode. Intralogistics equipment lifecycle management 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:



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Leveraging the comprehensive service coverage, intralogistics equipment lifecycle management 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 lifecycle management 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 lifecycle management 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 lifecycle management solutions have now become a recent trend for intralogistics equipment management.

### **Market Size of the Intralogistics Equipment Lifecycle Management Solution Market in China**

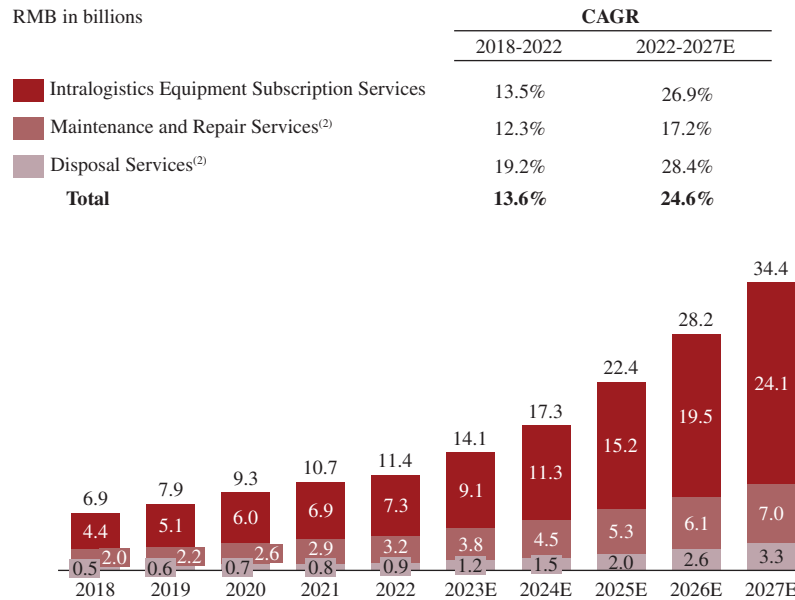
According to CIC, the intralogistics equipment lifecycle management solution market in China is still in the early-stage development. Compared with developed countries and regions, such as the United States, the penetration rate of intralogistics equipment lifecycle solutions in China is relatively low.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

The intralogistics equipment lifecycle management 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%. Driven by the huge intralogistics equipment needs resulted from the further development of the logistics, manufacturing and other industries, and the enterprises' increasing emphasis on their operational efficiency as well as overall cost-effectiveness, the intralogistics equipment lifecycle management solution market in China is expected to further increase to RMB34.4 billion in 2027 at a CAGR of 24.6% from 2022 to 2027.

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

### Market size of China’s intralogistics equipment lifecycle management solutions<sup>(1)</sup>, 2018-2027E



Source: CIC report

Notes:

- (1) Currently, the market size of management optimization in intralogistics equipment lifecycle management solution market is minimal, and thus is not included in the chart above.
- (2) 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 lifecycle management solution market.

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### *Intralogistics Equipment Subscription Services*

Intralogistics equipment subscription services enable customers to subscribe a broad portfolio of intralogistics equipment in a flexible and tailor-made way 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*

Intralogistics equipment 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 lifecycle management 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 lifecycle management 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*

Disposal services include refurbishment of intralogistics equipment, parts disassembly and sales of used equipment. Through disposal services, intralogistics equipment lifecycle management solution providers can make the best use of the 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 lifecycle management 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 in terms of revenue. However, the management optimization services market has great potential as technologies such as IoT, big data, and AI become increasingly sophisticated, which enables enterprises to further reduce equipment damage and improve operational efficiency through management optimization services.

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### Key Growth Drivers for the Intralogistics Equipment Lifecycle Management 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 lifecycle management 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 lifecycle management solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected to 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 lifecycle management solution providers can further analyze the data collected and enhance their service quality and efficiency, and therefore, the development of the intralogistics equipment lifecycle management 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 lifecycle management solutions.

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### Competitive Landscape of the Intralogistics Equipment Lifecycle Management Solution Market in China

According to the CIC, in 2022, the top five market players in the intralogistics equipment lifecycle management 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 lifecycle management 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 lifecycle management 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 lifecycle management 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 diagram illustrates the market shares of the top five market players in China in terms of revenue in 2022:

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

Source: CIC report

Notes:

- (1) The revenue of intralogistics equipment lifecycle management 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 lifecycle management solution and the market size of intralogistics equipment lifecycle 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 lifecycle management solution provider.

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### Entry Barriers

- *Abundant supply chain resources.* Intralogistics equipment lifecycle management solution providers should be able to build deep collaborative relationships with, and gain strategic 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 lifecycle management 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.
- *Extensive service network.* When customers request for services of intralogistics equipment lifecycle management solutions, the providers must respond promptly to address customers' demand, which requires an extensive 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 an extensive service network and a well-trained management team.

### Future Trends of the Intralogistics Equipment Lifecycle Management Solution Market in China

- *Continuous increase in market concentration.* The intralogistics equipment lifecycle management 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 lifecycle management solution providers will gain larger market shares and the market will further consolidate.
- *Growing penetration rate.* The penetration rate of the intralogistics equipment lifecycle management 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 lifecycle management solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment lifecycle management solutions in China was approximately 3.7% in the same year. As Chinese enterprises increasingly emphasize cost control and operational efficiency, intralogistics equipment lifecycle management solutions have now become a recent trend for intralogistics equipment management, and the market penetration rate is expected to further increase in the future.



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- *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 lifecycle management 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 lifecycle management 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 lifecycle management 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

Many market players in the intralogistics equipment lifecycle management 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. After years of practice, these market players gradually evolve into intralogistics equipment lifecycle management solution providers. For example, market players in intralogistics equipment and parts sales market usually have close relationships with reputable equipment suppliers, and have first-hand knowledge of the market trends and customer needs, which help them cross-sell their other services.

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.