
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the 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 Sole Sponsor, 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

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the cross-border e-commerce logistics industry in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, culture and entertainment, technology, media and telecom, wholesale and retail trades, tourism, consumer products, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, and industrial and machinery. We commissioned Frost & Sullivan for a total fee of RMB780,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the F&S Report.

F&S Report

Our Company has included certain information from the F&S Report in this document because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the cross-border e-commerce logistics industry with leading industry participants and industry experts, and secondary research, which involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the forecast period; (ii) China's social and economic environment is likely to remain stable in the forecast period; and (iii) Market drivers such as international trade and the

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increase in the number of online shopping users, the upgraded services of cross-border e-commerce logistics, favourable policies are expected to drive the growth of China’s cross-border e-commerce logistics industry.

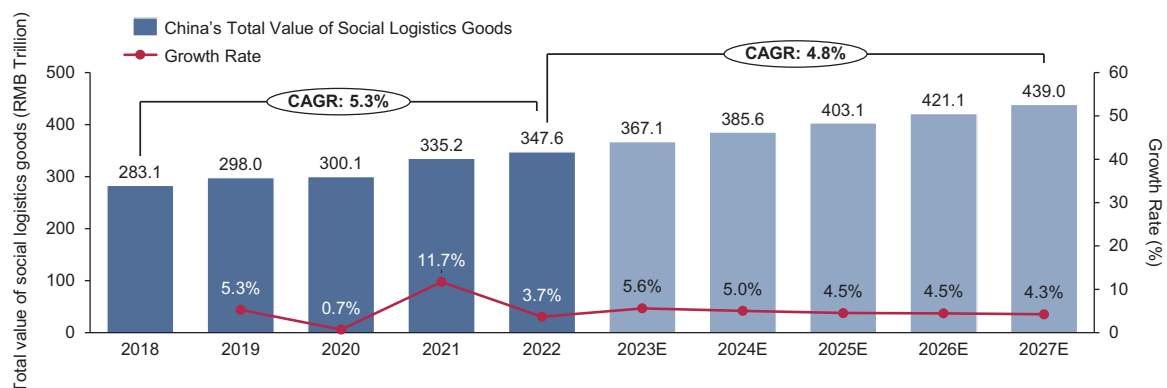
OVERVIEW OF MACRO ECONOMY IN CHINA

Total Value of Social Logistics Goods

Social logistics goods include (i) agricultural products, (ii) industrial products, (iii) external inflow goods, (iv) renewable resources, and (v) units and residents goods. Over the past several years, according to the National Development and Reform Commission, China’s total value of social logistics goods has kept increasing at a rapid growth pace, realizing a CAGR of 5.3% from 2018 to 2022. Due to the outbreak of COVID-19 in 2020, trucking capacity and transportation are strained, therefore the growth rate of the total value of social logistics goods experienced a temporary drop from 5.3% in 2019 to 0.7% in 2020. However, thanks to the effective epidemic prevention policies of the Chinese government, the logistics have quickly recovered and reached RMB335.2 trillion in 2021, and the growth rate has increased by 11.0% as compared to 2020. However, due to the recurrence of COVID-19 in 2022, the growth rate of the total value of social logistics goods dropped to 3.7% in 2022.

With the rapid growth of the economy, the total value of social logistics goods is expected to further increase in the future. The total value of social logistics goods is forecasted to grow at a CAGR of 4.8% from 2022 to 2027 and is expected to reach RMB439.0 trillion by the end of 2027.

Total Value of Social Logistics Goods (China), 2018-2027E



Source: National Development and Reform Commission, Frost & Sullivan

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China’s Cargo Throughput by Air, Railway, Water and Road Transport

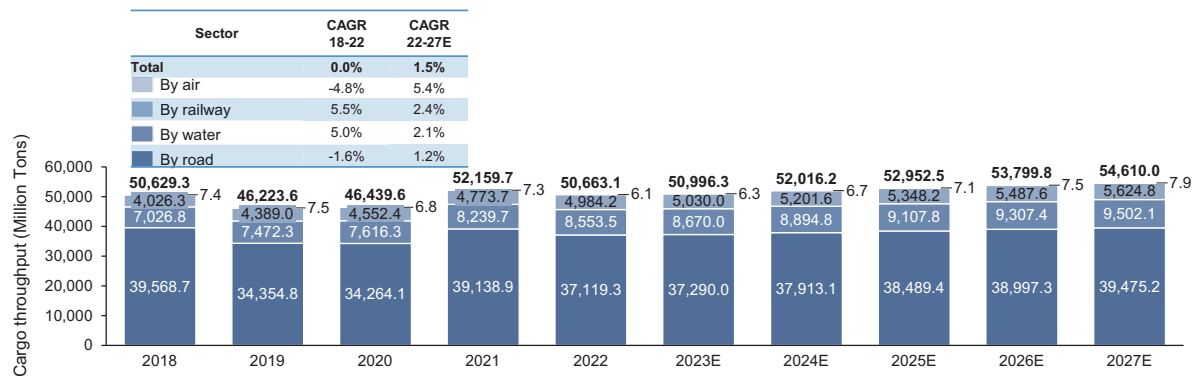
With China’s further reform and development, a modernized comprehensive transport system and comprehensive management system have been built and improved these years. China has formed a multi-nodal and full-coverage transport network. The total cargo throughput in China experienced steady growth from 50,629.3 million tons in 2018 to 50,663.1 million tons in 2022. From 2022 to 2027, the total cargo throughput grows at a CAGR of 1.5%, reaching 54,610.0 million tons by the end of 2027.

A full-coverage highway network has been set up during these years, and the national and provincial trunk highway network has been improved. Road transport is the most common transport among the different ways of cargo transport, reaching 37,119.3 million tons and accounting for 73.3% of total cargo throughput in 2022. The figure is estimated to increase to 39,475.2 million tons in 2027. As the second largest transport way, cargo throughput by water increased from 7,026.8 million tons in 2018 to 8,553.5 million tons in 2022. It is predicted to increase to 9,502.1 million tons in 2027 and account for 17.4% of total cargo throughput by the end of 2027.

According to Development of China’s Transport (《中國交通運輸發展》) issued by The State Council Information Office, airport rail and fast-track transit have been rapidly improved, and the connectivity between airports and other modes of transport has been enhanced. Cargo throughput by railway experienced a CAGR of 5.5% from 2018 to 2022 and is expected to reach 5,624.8 million tons in 2027. The cargo throughput by air accounts for the smallest part of the total cargo throughput, the total cargo throughput by air reached 6.1 million tons in 2022. In 2027, the cargo throughput by air is expected to reach 7.9 million tons, showing a CAGR of 5.4% from 2022. For the proportion of different transport cargo throughput in the total throughput, the proportion of cargo throughput by water and by air is relatively stable. The proportion of cargo throughput by road is expected to experience a slight decrease from 2022 to 2027, While the proportion of cargo throughput by railway is likely to show a slight increase during the same period. According to the “The 14th Five-Year Development Plan of Comprehensive Transportation Service” (《綜合運輸服務“十四五”發展規劃》) published by Ministry of Transport in November 2021, it is estimated that the growth of cargo throughput by road is expected to slow down from 2021 to 2025, while the cargo throughput by railway is predicted to accelerate during the same period.

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Cargo Throughput by Air, Railway, Water and Road Transport (China), 2018-2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Cross-border E-commerce Industry by Export and Import

According to Electronic Commerce Research Center (“**ECRC**”), cross-border e-commerce is the business related to imported and exported E-commerce trade and retail.

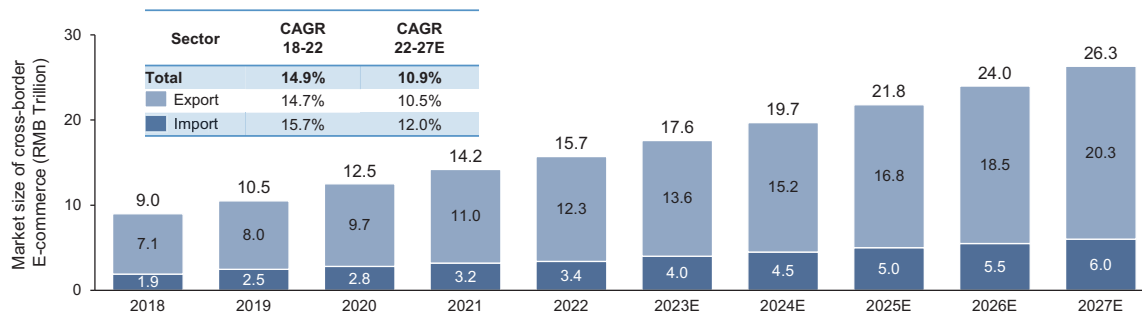
China’s market size for cross-border e-commerce has witnessed a rapid development in the past few years, reaching RMB15.7 trillion in 2022. Thanks to the favourable policies such as “Opinions on Accelerating the Development of New Forms and Models of Foreign Trade” (《加快发展外贸新业态新模式的意见》) published by China’s State Council in July 2021, it aims to apply the overseas warehouse supervision mode of cross-border e-commerce B2B export nationwide and expand the pilot scope of cross-border e-commerce comprehensive pilot zone. Going forward, the Chinese authorities are likely to maintain open and cooperative policies to support the further development of cross-border e-commerce. In 2027, the market size of cross-border e-commerce in China is forecasted to reach RMB26.3 trillion, showing a CAGR of 10.9% from 2022.

The cross-border e-commerce by export and import accounted for 78.9% and 21.1% of the market size of cross-border e-commerce in 2018, respectively. From 2018 to 2022, the market size of cross-border e-commerce by export has increased from RMB7.1 trillion to RMB12.3 trillion. In the future, it is forecasted that the figure is expected to reach RMB20.3 trillion in 2027, representing a CAGR of 10.5% from 2022.

For cross-border e-commerce by import, the market size is expected to continue to increase in the future and realize a CAGR of 12.0% from 2022 to 2027, reaching RMB6.0 trillion in 2027. By the end of 2027, the proportions of cross-border e-commerce by export and import are predicted to show as 77.2% and 22.8%, respectively.

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Market Size of Cross-border E-commerce Industry by Export and Import (China), 2018-2027E



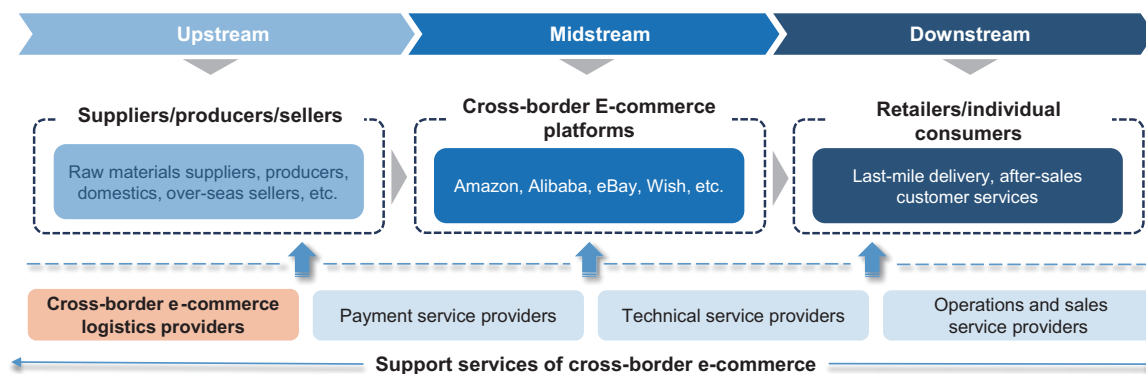
Source: General Administration of Customs, Electronic Commerce Research Center, Frost & Sullivan

OVERVIEW OF CROSS-BORDER E-COMMERCE LOGISTICS INDUSTRY IN CHINA

Value Chain of Cross-border E-commerce

The value chain of cross-border e-commerce consists of upstream suppliers, midstream cross-border e-commerce platforms, and downstream consumers.

The upstream of the cross-border e-commerce industry is mainly composed of raw materials suppliers, product producers, domestic and overseas sellers, etc. Cross-border e-commerce platforms are one of the key components of the midstream of the cross-border e-commerce industry. These can include online marketplaces, such as Amazon, Alibaba, eBay, etc., which allow sellers to sell their products to a global customer base. The downstream of the cross-border e-commerce industry involves the final stage of the process, such as delivery, product returns and customer services. Retailers and individual consumers are the main components of the downstream cross-border e-commerce industry. While logistics services, operational support, technical support and payment processing are essential support services throughout the entire cross-border e-commerce process.



Source: Frost & Sullivan

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Value Chain of Cross-border E-commerce logistics

Cross border e-commerce logistics is an essential carrier for cross-border e-commerce services. It provides import and export warehousing, goods operation, goods transportation, and customs clearance services for cross-border e-commerce enterprises.

In the value chain of cross-border e-commerce logistics, the upstream of cross-border e-commerce logistics mainly includes cross-border e-commerce platforms and merchants. These platforms provide a place for customers to place orders and for sellers to list products.

The midstream of cross-border e-commerce logistics refers to the processes and activities involved in the movement and handling of goods from the point of origin to the end of delivery. Cross-border e-commerce logistics providers and cross-border e-commerce warehousing service providers are the main players in the midstream of cross-border e-commerce logistics. Some companies mainly provide partial cross-border logistics services, such as warehousing, parcel delivery, customs clearance, etc. While some companies cover all major aspects of cross-border logistics processes and provide end-to-end cross-border e-commerce logistics services, including parcel acceptance, warehousing, security check, repackaging, labelling, sorting, export customs declaration, international linehaul, customs clearance and last-mile delivery. Our Group primarily focus on the provision of end-to-end cross-border logistics services in the PRC.

The downstream of the value chain of cross-border e-commerce logistics comprises mainly of individual and business buyers, who are the ultimate recipients of the products.



Source: Frost & Sullivan

Process of cross-border e-commerce logistics services

Package, storage, customs clearance, and transportation are the core process of cross-border e-commerce logistics services. Cross-border e-commerce logistics service level and the efficiency of the logistics system are the guarantees for the development of cross-border e-commerce.

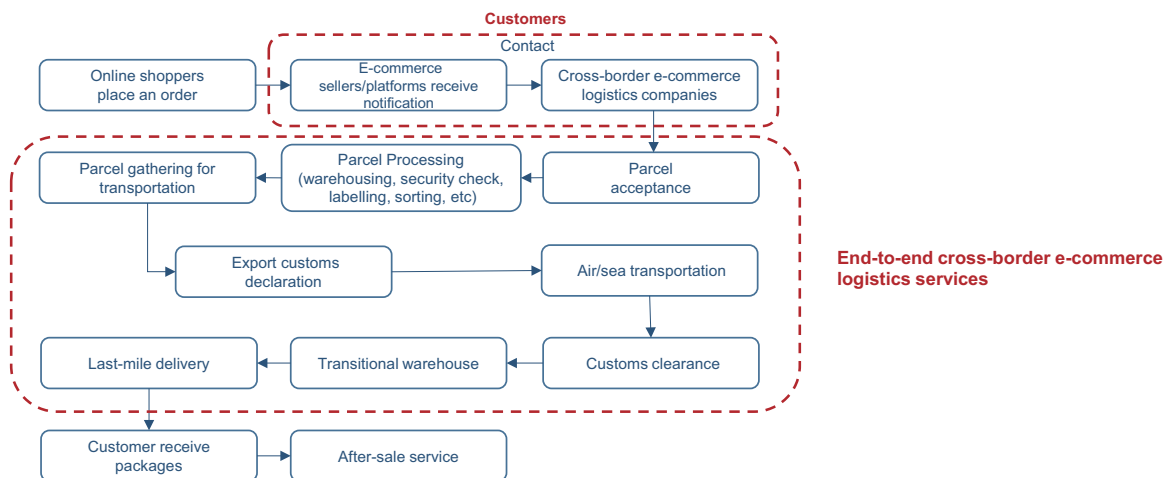
Cross-border e-commerce is of great significance to the transformation, innovation, and upgrading of foreign trade. Traditional foreign trade face problems such as high cost, low transaction efficiency, and complex transaction steps. Also, the main market players in traditional

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foreign trade are relatively limited, primarily manufacturers, foreign trade enterprises, etc., and transaction entities highly rely on the merchant middleman under the traditional foreign trade background. Due to the outbreak of COVID-19, the development of traditional foreign trade has been hindered, and cross-border e-commerce is greatly favored by enterprises and consumers. Since there is no time-and-space restriction and the transaction chain is greatly shortened, cross-border e-commerce is able to provide consumers with convenient purchasing channels and greatly improve the foreign trade transaction efficiency.

Moreover, cross-border e-commerce logistics can transport more goods categories and use low-volume, multi-batches cargo transportation in the process, while for the traditional foreign trade, the single cargo throughput is large, and the goods variety type is relatively single. Also, merchants can also choose appropriate logistics to reduce operating costs based on sales and inventory. Therefore, as a vital channel for the transformation of foreign trade, cross-border e-commerce plays a leading role in the innovative development of foreign trade.

The whole process of cross-border e-commerce logistics involves various participants, including trucking companies for parcel acceptance, companies specializing in customs clearance, companies specializing in warehouse and package storage, companies specializing in overland, ocean and air, etc. Our group acts as integrators and has established close cooperation with these companies, including those involved in parcel acceptance, customs clearance, warehousing, distribution, overland, ocean and air transportation, last-mile delivery, etc. This enables the Group to respond to potential changes in the service process, increase efficiency, and provide high-quality services to customers.



Source: Frost & Sullivan

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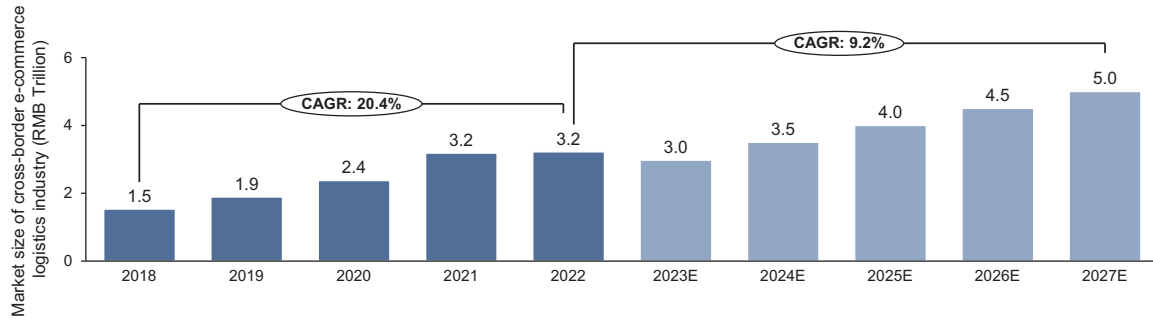
Market Size of Cross-border e-commerce Logistics Industry

Driven by economic growth, the logistics experienced a high-quality development. The overseas trade shows an upgrade during these years. According to the General Administration of Customs, the market size of foreign trade of export and import exceeded US\$6 trillion in 2021 for the first time. Exports and imports with main trading partners and countries along the “Belt and Road Initiatives” have achieved stable growth over 2021. Moreover, a series of policies and regulations were issued, such as the “Notice on Market Regulation of Expanding the Scope of the Pilot Program of Retail Imports in Cross-Border e-commerce and Strictly Implementing the Supervisory Requirements” (《關於擴大跨境電商零售進口試點、嚴格落實監管要求的通知》) launched by the Ministry of Commerce, the National Development and Reform Commission, etc. in March 2021, which aims to expand the pilot program of retail imports in cross-border e-commerce to all free trade pilot zones, cross-border e-commerce comprehensive pilot zones, comprehensive bonded zones, etc., and “Opinions on Further Stabilizing Foreign Trade and Foreign Investment” (《關於進一步做好穩外貿穩外資工作的意見》) launched by State Council of the PRC in August 2020, which aims to further strengthen the work of stabilizing foreign trade and foreign investment, stabilizing the industrial chain and supply chain and supporting the development of new business formats of trade, etc. Therefore, with the upgrade of overseas trade in recent years and the favorable policies, cross-border e-commerce has shifted from quantity-based growth to quality-based growth, which continuously promoted the development and upgrade of cross-border e-commerce logistics.

The market size of cross-border e-commerce logistics includes the revenue generated by both domestic and non-PRC-based logistics providers for cross-border e-commerce logistics in the PRC. The market size of cross-border e-commerce logistics increased from RMB1.5 trillion in 2018 to RMB3.2 trillion in 2022, representing a CAGR of 20.4%. In March 2021, due to the Suez Canal obstruction, the inability of cargo ships to pass smoothly has influenced the cross-border e-commerce logistics transportation. The massive cargo ship getting stuck in the Suez Canal in the short term resulted in insufficient capacity, leading to a shortage of market supply and skyrocketing shipping rates. The Suez Canal blockage had an impact on the global shipping industry, affecting domestic transport providers, retailers, manufacturers, and other related groups. Therefore, the market size of cross-border e-commerce logistics industry reached RMB3.2 trillion in 2021 and is expected to gradually recover in 2023. By 2027, the figure is expected to reach RMB5.0 trillion, with a CAGR of 9.2% from 2022 to 2027.

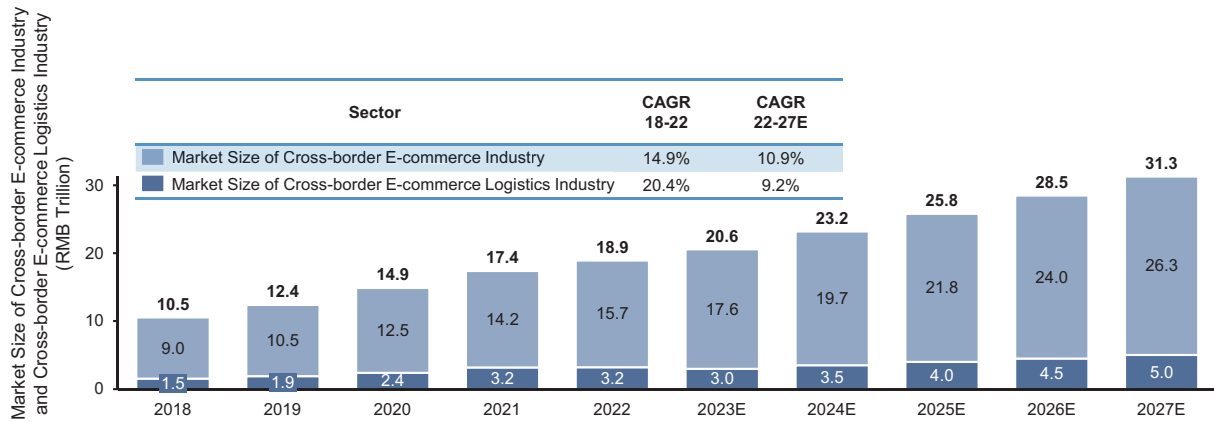
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Market Size of Cross-border e-commerce Logistics Industry (China), 2018-2027E



Source: General Administration of Customs, Frost & Sullivan

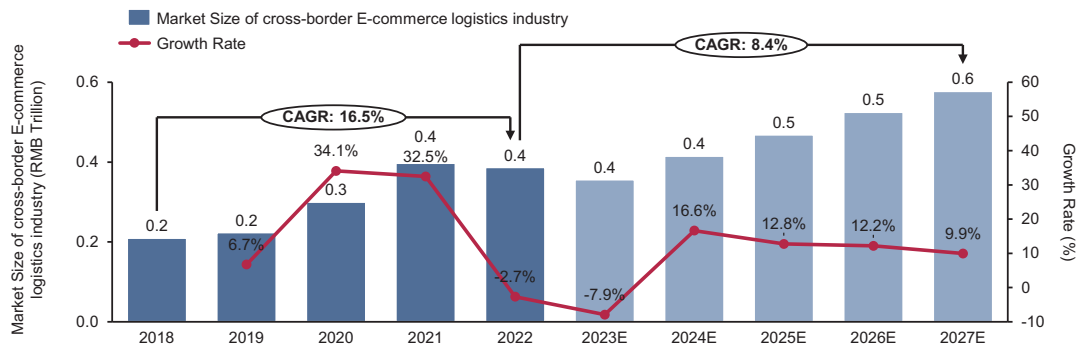
Market Size of Cross-border E-commerce Industry and Cross border E-commerce Logistics Industry (China), 2018–2027E



Source: General Administration of Customs, Frost & Sullivan

Note: The logistics cost of cross-border e-commerce services industry is the market size of cross-border e-commerce logistics industry.

Market Size of Cross-border E-commerce Logistics Industry (China-US), 2018–2027E



Source: General Administration of Customs, Frost & Sullivan

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The rapid expansion of cross-border e-commerce activities and the increasing demand for international online shopping have contributed to the growth of cross-border E-commerce industry. The market size of cross-border E-commerce logistics industry between China and the U.S. increased from RMB0.2 trillion in 2018 to RMB0.4 trillion in 2022, growing at a CAGR of 16.5%.

In the future, the market size of cross-border E-commerce logistics industry between China and the U.S. is predicted to reach RMB0.6 trillion in 2027, showing a CAGR of 8.4% from 2022.

Price Analysis of the Cross-border e-commerce Logistics Industry

The main factors affecting the delivery fee for cross-border logistics services include container and freight rate, fuel price, price of shipping market competition, value and type of goods, taxes and regulations in the destination region, the distance and time for transportation. For example, fuel price is one of the factors which will affect the transportation costs. If fuel prices increase, companies may need to adjust prices to account for the increased cost of fuel, which can ultimately result in higher shipping prices for their customers. Also, the value and type of goods can also influence the pricing. For example, goods that are highly valuable and require special handling or require specialized equipment to transport may need additional insurance or security measures during transportation, which can increase the overall cost of shipping.

Cost Analysis of Cross-border E-commerce Logistics Industry

Since the cross-border e-commerce logistics process covers the storage and transportation between different countries, the cost of cross-border e-commerce logistics is mainly affected by the price of international oil, transportation cost, labor cost, rental of warehousing cost, etc. The average futures settlement price of Brent crude oil increased with fluctuations, increasing from US dollar 71.7 per barrel in 2018 to US dollar 99.0 per barrel in 2022.

Average Futures Settlement Price of Brent Crude Oil, 2018-2022

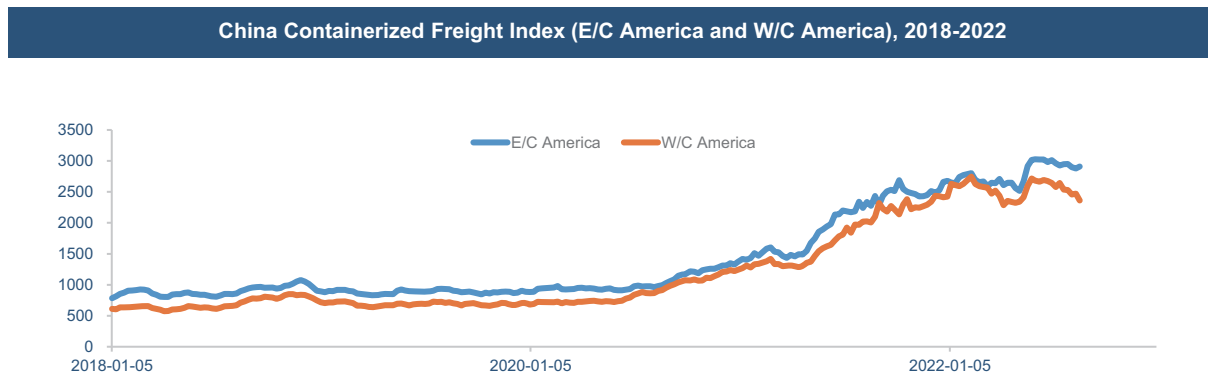
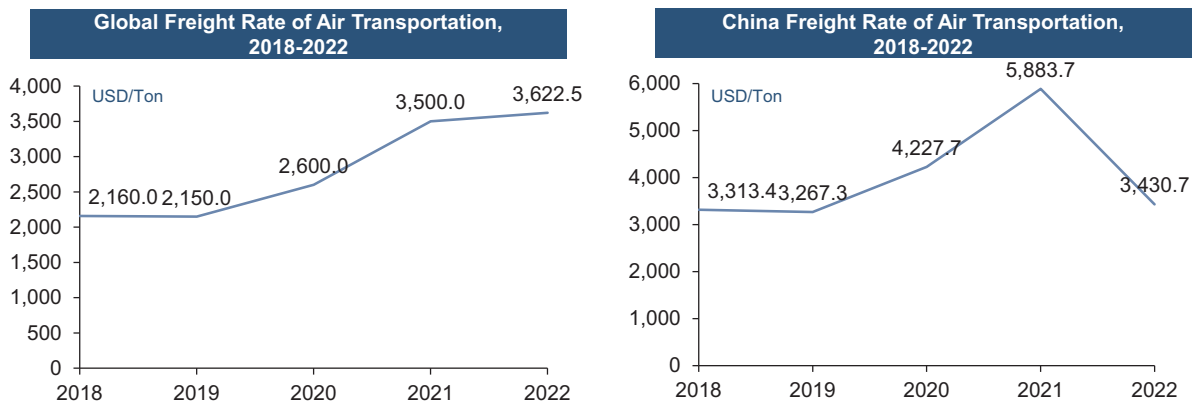


Source: International Petroleum Exchange, Frost & Sullivan

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From 2018 to 2019, the global freight rate of air transportation ranged between 2,100.0 USD/ton to 2,200.0 USD/ton. And the China freight rate of air transportation ranged between 3,200.0 USD/ton to 3,300.0 USD/ton during the same period.

The global and China freight rate of air transportation experienced a rapid increase during 2020 and 2021 mainly due to reduced routes and flight cancellations, the overall freight capacity has been relatively insufficient, leading to an increase in air freight prices and maintaining at high levels. From 2021 to 2022, the China cross-border logistics industry is gradually recovered, showing the decrease in the China freight rate of air transportation from 5,883.7 USD/ton in 2021 to 3,430.7 USD/ton in 2022.



Source: CCFI, Frost & Sullivan

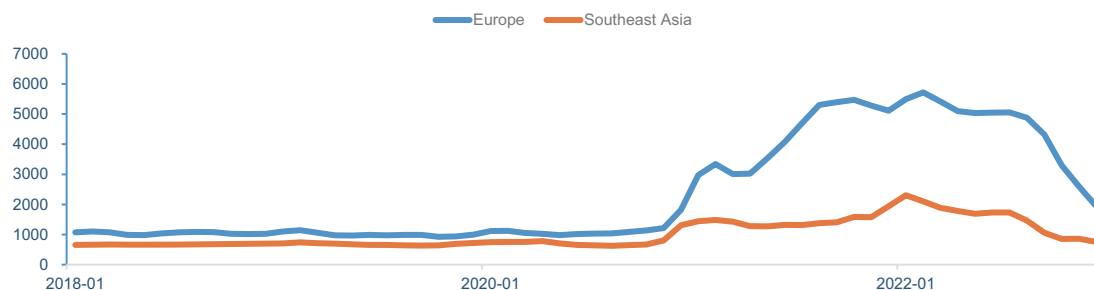
In addition to the average futures settlement price of Brent crude oil, container rate is another factor affecting shipping costs. According to the Shanghai Shipping Exchange, China Containerized Freight Index (“CCFI”) CCFI reflects the export container transport market in China, and the route-based freight rate index represents changes in freight rates for the entire route. W/C America stands for China’s exports to the U.S. West Coast and E/C America stands for China’s exports to the U.S. East Coast.

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From 2018 to 2020, the freight rate of W/C America and E/C America showed a stable trend. In 2021, since the COVID-19 continues to spreading in the United States, the average freight rate index of W/C America and E/C America reached 1,298.4 points and 1,441.1 points in the January 2021, respectively, showing a 6.0% and 8.0% increase compared to December 2020. In the December of 2021, transportation demand remained high, port congestion and container turnover issues caused by the pandemic, the average freight rate index for W/C America and E/C America routes reached 2,409.1 points and 2,573.0 points respectively, reflecting a 6.4% and 5.3% increase compared to November 2021.

In December 2022, transport demand remained low. The average freight rate index for China’s exports to the U.S. West Coast and U.S. East Coast routes were 898.7 points and 1,455.3 points, respectively, representing a month-on-month decrease of 17.1% and 20.3% compared to November 2022.

China Containerized Freight Index (Europe and Southeast Asia), 2018–2022



Source: CCFI, Frost & Sullivan

China Containerized Freight Index for China’s exports to Europe and Southeast Asia shows the similar trend during the same period. In January 2021, the average freight rate index for China’s exports to Europe routes and Southeast Asia routes were 2,971.8 points and 1,440.0 points respectively. This represents a significant increase of 63.4% and 10.2% compared to the previous month’s average.

The China Containerized Freight Index for China’s exports to Europe and Southeast Asia reached the highest level in 2022. In January 2022, the sustained high transportation demand and the ongoing container turnover issues continue to impact the efficiency of the supply chain. Therefore, the average freight rate index for China’s exports to Europe routes and Southeast Asia routes were 5,492.0 points and 2,305.0 points respectively, showing a 7.4% and 18.7% increase compared to December 2021.

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Market Drivers of Cross-border e-commerce Logistics Industry

The development of the cross-border e-commerce logistics industry in China is primarily driven by the following factors:

- ***International trade and the increase in the number of online shopping users:*** International trade promotes the development of trade liberalization. Commodities, goods, and technologies are in rapid circulation around the world. The economic and trade connection is enhanced and brings new opportunities to different countries. The number of online shopping users experienced a rapid increase during these years, rising from 610.1 million in 2018 to 845.3 million in 2022. Also, due to the outbreak of COVID-19 in 2020, global consumption has shifted from offline to online mode. Driven by this economic background, cross-border e-commerce showed a rapid increase in recent years due to its advantages of not being restricted by geography, more convenient and economical shopping experience and more categories of goods, etc. Therefore, as the basic transportation support, the upstream cross-border e-commerce logistics have continued to be promoted with the prosperity of the macroeconomy and the development of the cross-border e-commerce industry.
- ***The upgraded services of cross-border e-commerce logistics:*** To reduce logistics costs, improve logistics service efficiency and meet diversified customer needs, cross-border e-commerce logistics services are constantly transformed and upgraded. Traditional logistics service is relatively simple, while the upgraded logistics services are able to integrate whole process including the collection, warehousing, distribution, and so forth. The upgraded logistics services can also provide customs clearance, information management, supply chain management, and other value-added services to build a more comprehensive and efficient logistics network. The upgrade of cross-border e-commerce logistics services improves the efficiency of the overall cross-border e-commerce market, as the circulation of goods has been accelerated and optimized. Therefore, the revenue and number of orders generated by cross-border e-commerce logistics enterprises largely increase and thus stimulate the development of cross-border e-commerce logistics industry.
- ***Favorable policies:*** According to “The Five-year Plan on Modern Logistics for the 14th Five-Year Plan Period (2021-2025)” (《“十四五”現代物流發展規劃》), it aims at accelerating the integration of logistics hub resources, building major international and domestic logistics channels, etc. and a modern logistics system featuring supply-demand adaptation with internal and external connectivity will basically be in place, and it will be safe, efficient, smart, and green by 2025. Also, Hangzhou Municipal Government issued “Opinions on Accelerating the High-quality Development of Cross-border e-commerce” (《關於加快推進跨境電子商務高品質發展的實施意見》) to encourage the

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construction of cross-border e-commerce logistics such as the construction of consolidation warehouse and overseas warehouse and provide financial support to outstanding cross-border e-commerce enterprises. Generally, financial support is provided through direct allocations to the companies. In 2018, the Shenzhen Municipal Finance Commission* (深圳市財政委員會) issued the Shenzhen Modern Logistics Industry Development Special Funds Management Measures (《深圳市現代物流業發展專項資金管理辦法》). This policy aims to advance the development of the modern logistics industry in Shenzhen, facilitate the adjustment and optimization of the economic structure, and solidify the logistics industry’s position as a pillar of Shenzhen Municipality. Moreover, according to the “Guiding Opinions of the CPC Central Committee and the State Council on Promoting the Formation of a New Pattern in the Large-scale Development of China’s Western Regions” (《關於新時代推進西部大開發形成新格局的指導意見》), it aims at encouraging the west of China to open up wider under the guidance of the Belt and Road initiative. The transport capacity of railways along the Yangtze River and the cargo collection and distribution system at ports shall be improved and active measures shall be taken to support multimodal transport by speeding up the construction of railways and highways linking to ports and industrial parks. In 2021 December, Chengdu Municipal Government issued “Supportive Policy for Accelerating the Construction of Chengdu Air Cargo Hub” (《加快推進成都航空貨運樞紐建設扶持政策》). This policy aims to leverage advantages of Chengdu Airports, nurturing base cargo airlines and air logistics integrators to create a global air gateway hub, interstate air transit hub and air cargo transshipment centre. In April 2023, Chengdu Tianfu International Airport successfully launched its all-cargo aircraft flights, boosting the development of the aviation logistics industry in Chengdu.

Market Trends of Cross-border e-commerce Logistics Industry

- **Intelligent Logistics Services:** Driven by the development of technology and diversified needs in downstream, cross-border e-commerce services were further expanded and improved, realizing intelligence in multiple service links. Based on the full-link optimization analysis of big data, cross-border e-commerce logistics enterprises are able to optimize service steps and improve service efficiency. For example, cross-border e-commerce logistics services providers are expected to collect information and analysis in each process and achieve algorithm planning of optimal routes for goods transportation, intelligent inventory management, etc. The application of big data, AI automatic guided vehicles (“AGV”), and other intelligent equipment such as automatic weighing and dimension measurement systems and automatic sorting systems can effectively improve the goods sorting and packing efficiency and reduce labor costs. Therefore, intelligent services are the market trend in cross-border e-commerce logistics services. Enterprises with intelligent services are expected to enhance the cross-border e-commerce logistics market competitiveness.

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- ***Supply Chain Logistics Services:*** Current cross-border e-commerce logistics services are still limited, mainly focusing on logistics operations such as customs clearance, warehousing, and transportation. However, with the continuous change and improvement of market demand, logistics companies need to expand the scope of their services accordingly. Cross-border e-commerce logistics services not only provide traditional logistics services but also provide services covering all channels of the industry chain, such as inventory optimization, transportation optimization, warehouse location layout, etc. In the future, the combination of supply chain and logistics is expected to be further developed, and the company providing customers with integrated, omnichannel, and multi-dimensional value-added services is one of the market trends in the cross-border e-commerce logistics industry.

Threats and Challenges of Cross-border e-commerce Logistics Industry

- ***Possible policy changes in tariff and customs inspections:*** Depending on the laws and regulations of different jurisdictions, e-commerce logistics service providers may enjoy tariffs and customs inspection exemptions. For instance, de minimis packages delivered from the PRC to the US may be exempted from customs inspection, allowing cross-border e-commerce logistics service providers to file Type 86 Entry customs clearance to US Customs and conduct end-to-end cross-border delivery at a relatively low cost. Changes in such favourable policies may affect the flow of goods and services across borders, leading to higher costs for the business operations of the cross-border e-commerce logistics service providers.

While there are discussions from time to time that such policies regarding tariffs and customs inspection benefits should be amended to protect the interest of the destination countries, in particular the US, there is currently no major changes in relevant customs regulations in major importing countries which would impact the international operations of logistics companies. Moreover, cross-border e-commerce logistics service providers are able to provide flexible solutions to meet the demand of the customers with the assistance of their supplier network, such as the engagement of new customs brokers which offer different customs clearance channels to ensure that the shipments are cleared quickly and efficiently.

- ***Fuel price fluctuation and possible rising costs:*** Since transportation cost is one of the major costs of the express delivery industry, the fluctuation in key cost can have certain impact on the profit of end-to-end cross-border e-commerce logistics companies. When fuel prices rise, transportation costs go up, which can lead to increased costs for cross-border e-commerce logistics companies. If the price continues to rise, these companies will experience pressure of increased costs.

End-to-end cross-border e-commerce companies provide services that require investments in manpower and equipment. For instance, as salaries and raw material costs increase, these companies may need to pay more for labor and equipment, which can result in higher costs.

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US-China decoupling and the friend-shoring

- Over the past decades, China has been the United States’ primary supplier of goods. However, the trade between the two countries is facing threats and challenges. The U.S. government has introduced a program known as the “friend-shoring (友岸外包)” aiming to limit opportunities for supply chain outsourcing to specific countries or regions, especially some Latin American nations. The primary objective of this initiative is to reduce reliance on China and attempt an economic “decoupling” from China. The core of decoupling is the U.S.’s technological disengagement from China. Specifically, by employing restrictions on China’s technological development, while concurrently strengthening the technological capabilities within the United States. Additionally, decoupling also involves limitations on cross-border trade and investment.
- The decoupling between China and the U.S. may lead to increased trade restrictions and more strict regulatory measures between the two nations. This may include the controls on exports, such as restrictions on transferring sensitive goods and data to foreign countries. It also involves restrictions on technology transfers and imposes limitations on cross-border investments. Furthermore, there may be raised import tariffs, additional inspection procedures, and customs clearance requirements.
- Currently, the trade and technological relations between China and the U.S. are undergoing transformation. This presents a treat and challenge for cross-border e-commerce between the two countries. Both China and the U.S. are striving to find an appropriate balance in this new situation to ensure economic and trade stability.

To address the threats and challenges of fuel price fluctuation and potential rising costs, end-to-end cross-border e-commerce logistics companies may consider implementing fuel-efficient transportation options and investing in automation and technology to reduce labor costs and increase efficiency.

INDUSTRY OVERVIEW

Competitive Landscape of China’s Cross-border e-commerce Logistics Industry

China’s cross-border e-commerce logistics market mainly include non-PRC-based players and domestic players. Non-PRC-based players are international logistics providers, such as DHL, UPS, FedEx and others, which mainly provide logistics services such as package delivery, cross-border freight transportation, overseas warehouse services, etc. These non-PRC-based players have extensive offshore logistics networks and are primarily responsible for transportation in overseas regions. For operations within the PRC, such non-PRC-based international logistics service providers primarily focus on providing international linehaul services, and put in less resources in the PRC which is labour-intensive in nature, such as manpower for marketing and warehouse operations for labelling, repackaging and sorting, as compared to domestic players. As such, non-PRC-based international logistics service providers often cooperate with domestic players, in which the domestic players would be engaged by the customers for cross-border delivery services, and the non-PRC-based international logistics service providers are engaged by domestic players for international linehaul and last-mile delivery services after the domestic players performed warehousing, security check, labelling, repackaging and sorting processes in service outlets in the PRC. The revenue of cross-border e-commerce logistics for these non-PRC-based players are not available.

China’s cross-border e-commerce logistics market was highly fragmented, with the top five domestic players cross-border e-commerce logistics services providers accounted for an aggregate market share of 2.5% in terms of revenue generated from cross-border e-commerce logistics services in 2022.

In 2022, the Group ranked between 25th to 30th among domestic cross-border e-commerce logistics providers in China in terms of cross-border e-commerce logistics revenue, occupying 0.03% market share with revenue of RMB1.0 billion.

INDUSTRY OVERVIEW

Ranking and Market Share of Top Five Domestic Cross-border E-commerce Logistics Services Providers in terms of Revenue of Cross-border E-commerce Logistics Services (China), 2022

Ranking	Domestic Cross-border E-commerce Logistics Providers	Revenue of Cross-border E-commerce Logistics Services (RMB Billion)	Market Share (%)
1	Cainiao Smart Logistics Network Limited	36.9	1.1%
2	Fujian Zongteng Network Co., Ltd.	17.5	0.5%
3	Sinotrans Limited	11.3	0.4%
4	Shenzhen 4px Express Co., Ltd.	11.0	0.3%
5	S.F International Limited	6.7	0.2%
	Top five	83.4	2.5%
	Total	3,220.0	100.0%

Source: Frost & Sullivan

Notes:

- The Company’s data is provided by the Company.
- Cainiao Smart Logistics Network Limited is a private company founded in 2013. It principally provides logistics services, including cross-border E-commerce logistics services, international supply chain services, etc.
- Fujian Zongteng Network Co., Ltd. is a private company founded in 2009, headquartered in Shenzhen. It principally provides cross-border e-commerce logistics services, including overseas warehouse, special line logistics, etc. Products distribution and supply chain services are also included.
- Sinotrans Limited is a HKEX listed company founded in 2002, headquartered in Beijing. It principally provides logistics services, including cross-border E-commerce logistics services, cold chain logistics, chemical logistics, etc.
- Shenzhen 4px Express Co., Ltd. is a private company founded in 2004, headquartered in Shenzhen. It principally provides cross-border e-commerce logistics services, including postal system logistics, special line logistics, FBA, etc.
- S.F International Limited is a subsidiary of S.F. Holding Co., Ltd (the issued shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ)), headquartered in Shenzhen, Guangdong province. It principally provides cross-border logistics services, including cross-border E-commerce logistics services, overseas warehouse, etc.
- Domestic cross-border E-commerce logistics providers including the logistics company owned by E-commerce platform, such as Cainiao Smart Logistics Network Limited, as well as non-E-commerce platform-owned companies that specialize in providing cross-border E-commerce logistics services.
- The market size and the revenue data are primarily estimated from the data published by the General Administration of Customs, the Electronic Commerce Research Center, the publicly available information, such as document and relevant announcements, and interviews with industry experts.