

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC 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] or any of our or their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF THE INDUSTRY INFORMATION

In connection with the [REDACTED], we have engaged China Insights Consultancy (“CIC”), an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report (“CIC Report”) on the market in China for (i) cloud-based customer contact solutions and (ii) public cloud customer contact solutions. CIC is an independent investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence and strategic consulting services for a variety of industries. We incurred a total of RMB800,000 in fees and expenses in connection with the preparation of the CIC Report. The payment of such amount was not contingent on our successful [REDACTED] or on the results of the CIC Report. Except for the CIC Report, we did not commission any other industry report in connection with the [REDACTED].

We have extracted certain information from the CIC Report in this section and elsewhere in this document to provide a comprehensive presentation of the market in which we operate. We believe such information facilitates an understanding of such market for potential [REDACTED]. The market projections in the commissioned report are based on the following key assumptions: (i) that the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) that related key industry drivers are likely to continue driving growth in China’s cloud-based customer contact solutions industry during the forecast period, including improvements in infrastructure, increasing willingness to migrate to the cloud, prevalence of mobile communications and favorable policies and regulations; and (iii) that there is no extreme force majeure or set of industry regulations in which the market situation may be affected either dramatically or fundamentally. All the information about the Company is sourced from its own audited reports or management interviews. Historical market information contained in this section covers the five years ended December 31, 2021 as such information for the period thereafter was not available as at the Latest Practicable Date. On this basis, our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an adverse impact on such information. For the avoid of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the CIC Report.

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The original source of data for all market information throughout this section is the CIC Report. During the preparation of the CIC Report, CIC performed both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including the National Bureau of Statistics of the PRC, Chinese government releases, the MIIT, annual reports published by relevant industry participants, industry associations and CIC’s own internal database.

OVERVIEW OF CHINA’S CLOUD-BASED CUSTOMER CONTACT SOLUTIONS INDUSTRY

Advancements in mobile technology and proliferation of smart devices are creating a new era of customer interaction. The traditional solutions, typically involving operation of labor-intensive customer contact centers that manage inbound and outbound calls, are no longer able to meet today’s needs. Nowadays, customer contacts may be carried out by personnel from various functional departments and take place anywhere through multiple channels across a variety of devices. Such development is calling for modernized customer contact solutions that can serve unserved needs by legacy on-premise solutions. With fundamental advances in internet and cloud technologies, cloud-based customer contact solutions have emerged and continue to be increasingly adopted.

Compared to traditional, on-premise systems, cloud-based customer contact solutions enjoy enhanced mobility, scalability and technology integration. It holds great promise to enable unified communications across different channels and seamlessly integrate with other collaboration tools, thereby greatly improving business efficiency and productivity. Empowered by AI, big data and 5G technologies, cloud-based solutions have the potential to be applied in a broad range of business scenarios. Key advantages offered by cloud-based customer contact solutions over traditional, on-premise systems include:

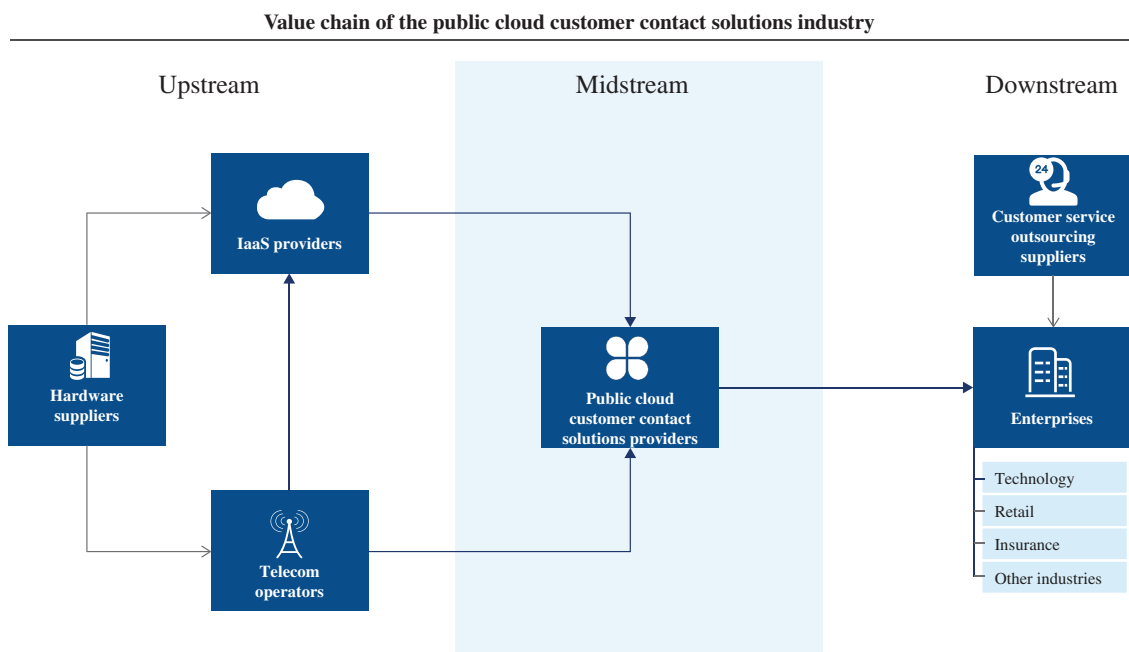
- *Multi-channel.* Many legacy systems operate on traditional technologies that cannot support new channels of communication, such as social media, mobile app chats, and videos. Cloud-based solutions integrate interactions across a wide variety of channels, including emails, phone calls, web forms, live web chat, web calling, video chat, proprietary mobile apps, messenger apps and social media apps. Customer data collected in different channels can be centrally stored and managed.
- *Intelligent.* AI-powered and data-driven functionalities embedded in cloud-based solutions help enterprises save labor costs, improve communication efficiency and achieve higher customer service satisfaction.
- *Scalable.* Cloud-based customer contact solutions offer higher scalability and availability, enabling enterprises to rapidly adjust the amount of resources required to meet changing communication volumes.

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- *Cost-effective.* Cloud-based solutions allow for easy deployment and management across multiple locations and on multiple devices without substantial upfront investment in hardware, infrastructure or in-house IT support. Deployments and upgrades can be managed quickly and remotely with less disruption to business operations.

Compared to on-premise systems, cloud-based solutions are gaining popularity as a result of their enhanced mobility, cost-efficiency and advanced technology capabilities.

The following diagram illustrates the value chain of the public cloud customer contact solutions industry:



Source: CIC Report

DRIVERS AND FUTURE TRENDS FOR CHINA’S CLOUD-BASED CUSTOMER CONTACT SOLUTIONS INDUSTRY

The following factors are expected to drive the growth of China’s cloud-based customer contact solutions industry.

- *Improvements in infrastructure.* Technology is driving significant improvements of both the network and cloud infrastructure. 5G technology and its growing application are expected to reshape the world with an unprecedented data transfer speed. At the same time, improvements in Infrastructure as a Service (IaaS) continues to enhance the stability and security of the cloud computing environment. The acceleration of 5G commercial application and the maturity of the upstream IaaS industry form a solid foundation for the development of China’s cloud-based

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customer contact solution industry. In particular, 5G technology will greatly enhance high-definition audio and video communications, which are highly data-intensive. With strengthened audio and video capabilities, cloud-based customer contact solutions can be applied in a wider range of scenarios.

- *Increasing willingness to migrate to the cloud.* Cloud computing has become the new standard for IT infrastructure as businesses seek to benefit from the flexibility, scalability and reliability of the cloud and enjoy the faster, cheaper and easier deployment of their solutions. The increasing willingness to migrate to the cloud among Chinese enterprises, which are still in their early stage of digital transformation, is expected to drive the needs in the coming decade to replace legacy on-premise customer contact center systems with cloud-based solutions.
- *Prevalence of mobile communications.* Mobile internet penetration and advances in mobile devices make it increasingly frequent for agents to contact customers using mobile devices anywhere at any time. In comparison to legacy on-premise systems, cloud-based solutions support remote connectivity and are easier to be deployed as mobile applications. It is expected that the prevalence of mobile communications will increase the attractiveness of cloud-based customer contact solutions.
- *Favorable policies and regulations.* The Chinese government has put forward policies and regulations to promote the development of cloud services, to propel the digitalization and cloudification of communications services, and to encourage the adoption of AI and big data technologies such as the Three-Year Action Plan for the Development of The Cloud Industry (《雲計劃發展三年行動計劃》) issued by the MIIT in 2017, the Implementation Guidelines to Promote Cloud Migration of Enterprises (2018-2020) (《推動企業上雲實施指南(2018-2020年)》) issued by the MIIT in 2018 and the Action Plan for Digital Empowerment of Small and Medium Enterprises (《中小企業數字化賦能專項行動方案》) issued by the General Office of the MIIT in 2020. In particular, according to the Three-Year Action Plan for the Development of The Cloud Industry, the Chinese government aims to, among others, support the research and development of cloud computing technologies, establish service standards and evaluation mechanism, and encourage software companies to move their solutions to the cloud. Also, the Implementation Guidelines to Promote Cloud Migration of Enterprises (2018-2020) promised to promote the application of clouding computing technologies in business activities and help one million enterprises to migrate their businesses to the cloud. The Action Plan for Digital Empowerment of the Action Plan for Digital Empowerment of Small and Medium Enterprises proposes to encourage digital service providers to offer cloud services for small and medium-sized enterprises, and to support the migration of their IT infrastructure and business systems to the cloud. In 2020, the SASAC publicized one hundred representative cases of the digitization of SOEs, which are intended to serve an exemplary role for digitization of Chinese enterprises. The favorable regulatory environment will encourage increasingly more enterprises to adopt digitalization, which will in turn drive the demand for cloud-based customer contact solutions. The

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market for public cloud services in China has increased from RMB28.0 billion in 2017 to RMB197.6 billion in 2021, and is expected to reach RMB737.0 billion in 2026 at a CAGR of 30.1% from 2021 to 2026.

The future development of China’s cloud-based customer contact solutions industry will be affected by the following trends:

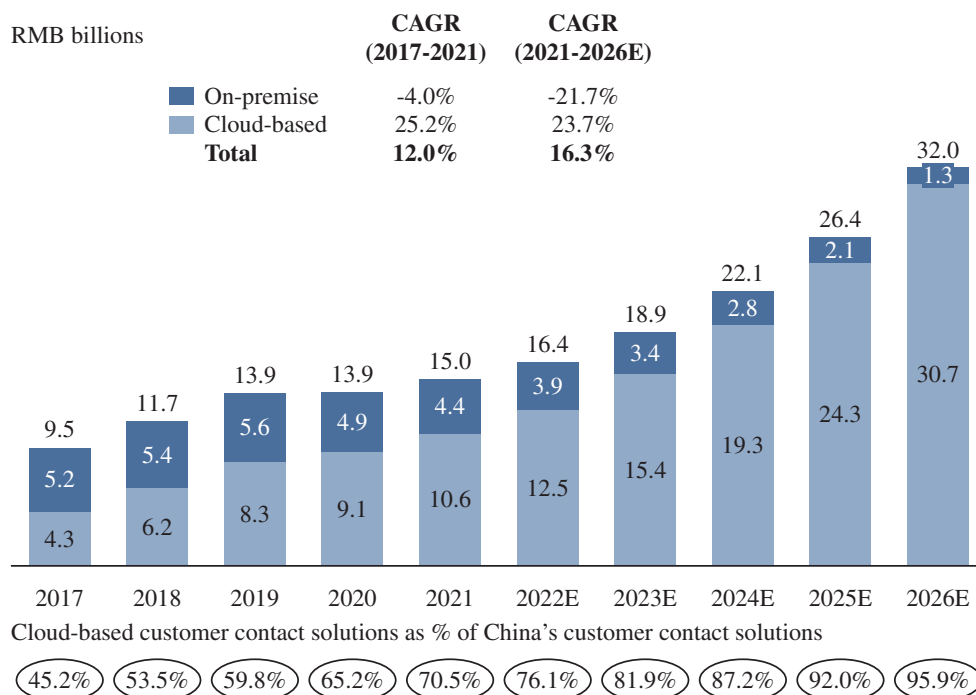
- *Expanding application scenarios.* Customer interactions take place in a wider array of scenarios, involving not only customer service agents in traditional cubicle offices, but also employees from other departments performing sales, logistics, design, technical support, and maintenance functions, who may be located anywhere in the world. In contrast with traditional on-premise customer contact center systems that are either unable or inefficient to address such needs, cloud-based solutions provide enterprises with innovative options to monitor customer service activities and support decision-making with data-based business analytics, and thus are increasingly embraced by businesses to carry out their sales, marketing, customer services and other business functions.
- *Higher requirement of data security.* Concerns over data security have become heightened during digital transformation. Large enterprises, such as SOEs in China, tend to hold a higher bar to ensure protection of data security and privacy. Deployment on virtual private cloud provides the benefit of cloud scalability while easing enterprises’ concerns over data security. As a result, virtual private cloud is expected to be increasingly adopted by organizations with particular data security requirements.
- *Proliferation of AI technologies.* Advancements in AI technologies, such as technologies for virtual agents, make it possible to liberate workers from routine and repetitive tasks and helps reallocate human capital towards cognitive, higher-value activities while ensuring high quality of customer services. Today, text-based contactbots, supported by technologies for natural language process (NLP) and knowledge graphs, have been widely used in providing digital customer services. Voice-based contactbots are expected to be more prevalent as technologies for speech recognition and semantic understanding continue to advance. Empowering workers to automate their workflows drives business value, increases efficiency, lowers cost of skilled human capital and creates greater employee engagement. With such enormous benefits, an increasing number of enterprises seek to automate a significant number of use cases, from individual tasks to enterprise-wide processes.

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MARKET SIZE OF CHINA’S CLOUD-BASED CUSTOMER CONTACT SOLUTIONS

According to the CIC Report, the market size of the customer contact solutions industry in China in terms of revenue increased from RMB9.5 billion in 2017 to RMB15.0 billion in 2021 at a CAGR of 12.0%, and is expected to reach RMB32.0 billion in 2026, representing a CAGR of 16.3% from 2021 to 2026. The revenue contribution of cloud-based customer contact solutions increased from 45.2% in 2017 to 70.5% in 2021, and is expected to reach 95.9% in 2026. The following diagram illustrates the breakdown of the historical and projected market size of China’s customer contact solutions industry in terms of revenue by deployment model for the years indicated.

Market size of China’s customer contact solutions, 2017-2026E



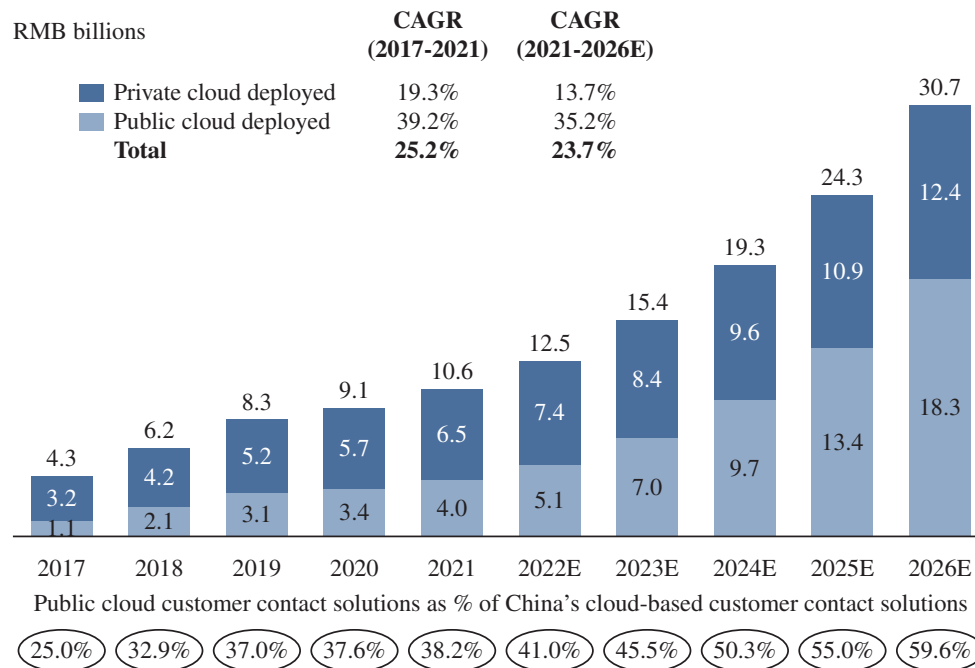
Source: CIC Report

The cloud-based customer contact solutions industry in China has experienced tremendous growth in recent years. According to the CIC Report, its market size in terms of revenue increased from RMB4.3 billion in 2017 to RMB10.6 billion in 2021 at a CAGR of 25.2%, and is expected to reach RMB30.7 billion in 2026, representing a CAGR of 23.7% from 2021 to 2026.

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Clients may choose to deploy customer contact solutions in public or private clouds. According to the CIC Report, revenues derived from public cloud customer contact solutions in China have increased from RMB1.1 billion in 2017 to RMB4.0 billion in 2021 at a CAGR of 39.2%, and are expected to reach RMB18.3 billion in 2026, representing a CAGR of 35.2% from 2021 to 2026. The following diagram illustrates the breakdown of the historical and projected market size of China’s cloud-based customer contact solutions industry in terms of revenue by deployment model for the years indicated.

Market size of China’s cloud-based customer contact solutions, 2017-2026E



Source: CIC Report

Public clouds are offered by third-party cloud service providers and shared by multiple end users owing to its multi-tenant architecture. With public clouds, the cloud service provider owns and is responsible for maintaining the computing resources, and end users pay for what they consume. A private cloud is a set of cloud computing services available on a private network and used by a single organization. Private cloud applications are hosted on-premise, behind the firewall, and essentially pool the organization’s computing resources to better leverage existing, internal capabilities.

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Customer contact solutions deployed in public clouds offer high scalability, cost efficiency and easy deployment. Private clouds offer a high degree of control and are considered more secure. However, solutions deployed in private clouds entail hardware, software, and development costs and additional IT support for implementation and ongoing management. While private clouds provide the perception of being more secure, today, reputable public cloud providers dedicate substantial resources to data security and can provide environments that meet most organizations’ security requirements. For these reasons, deployment in public clouds are growing into the dominant deployment method for customer contact solutions.

Competitors in China’s customer contact solutions industry can be categorized into two groups, namely (i) project-based providers, which primarily consist of on-premise providers and private cloud providers, and (ii) public cloud providers, which primarily comprise providers of SaaS solutions deployed in the public cloud. A small percentage of public cloud solutions are delivered in virtual private clouds, which may be project-based. Major differences between project-based providers and public cloud providers are as follows:

- *Product strategy.* Project-based solutions are highly customized to meet each client’s specific needs. In contrast, public cloud solutions primarily consist of standardized functions delivered via SaaS model. SaaS providers focus on improving the adaptability of their solutions in a wide array of application scenarios, and make considerable research and development investments.
- *Revenue strategy.* Project-based providers generate a large amount of one-off revenue for each project, but have limited recurring revenue streams since maintenance service fees are relatively low. To generate more revenue from existing clients, project-based providers need to substantially enhance their solutions in order to persuade their existing clients to pay for product upgrade. In contrast, public cloud providers usually receive recurring revenues from SaaS subscriptions, while software upgrades are free of charge. They retain clients by continuously improving their solutions and creating consistent value.
- *Costs.* Project-based providers generally employ a large number of implementation personnel to develop and deploy project-specific systems. In comparison, SaaS providers have high fixed R&D costs, while their marginal cost for each additional client is relatively low.

There exist significant differences between project-based providers and public cloud providers. Different enterprises have diverse requirements in terms of customization, privacy and security and are at different stages of digitalization. They usually have a clear preference toward the solutions that satisfy their needs at a particular stage. Therefore, project-based providers and public cloud providers rarely compete directly.

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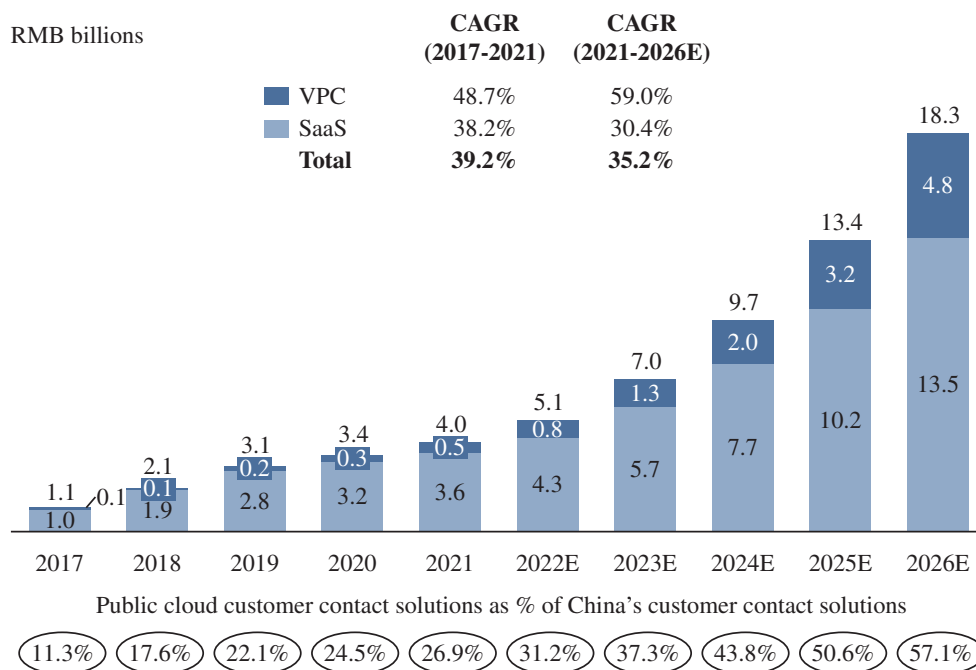
CATEGORIZATION OF CHINA’S PUBLIC CLOUD CUSTOMER CONTACT SOLUTIONS INDUSTRY

SaaS model is the most commonly used way to deliver public cloud customer contact solutions. It is selected by clients of all sizes and types and is particularly popular among small- and medium- sized enterprises for its fast deployment and low initial investments.

VPC is an isolated virtual private cloud hosted within a public cloud. VPC operates with a particular level of isolation between cloud platform users, which is accomplished via a private IP subnet on a per user basis, instead of sharing resources and space in public infrastructure. By storing data within the secured boundary, deployment in VPC is perceived to be more secure. VPC model emerges in response to the demand for higher security requirement, typically from large enterprises that handle a high volume of sensitive data. As it provides the benefit of cloud scalability while easing enterprises’ concerns over data security, VPC model is expected to be increasingly adopted by large enterprises, such as Chinese SOEs and companies in the insurance and banking industries.

According to the CIC Report, among public cloud customer contact solutions in China, revenues derived from the SaaS model have increased from RMB1.0 billion in 2017 to RMB3.6 billion in 2021 at a CAGR of 38.2%, and are expected to reach RMB13.5 billion in 2026, representing a CAGR of 30.4% from 2021 to 2026. Revenues derived from the VPC model have increased from RMB0.1 billion in 2017 to RMB0.5 billion in 2021 at a CAGR of 48.7%, and are expected to reach RMB4.8 billion in 2026, representing a CAGR of 59.0% from 2021 to 2026. The following diagram illustrates the breakdown of the historical and projected market size of China’s public cloud customer contact solutions industry in terms of revenue for the years indicated.

Market size of China’s public cloud customer contact solutions, 2021-2026E



Source: CIC Report

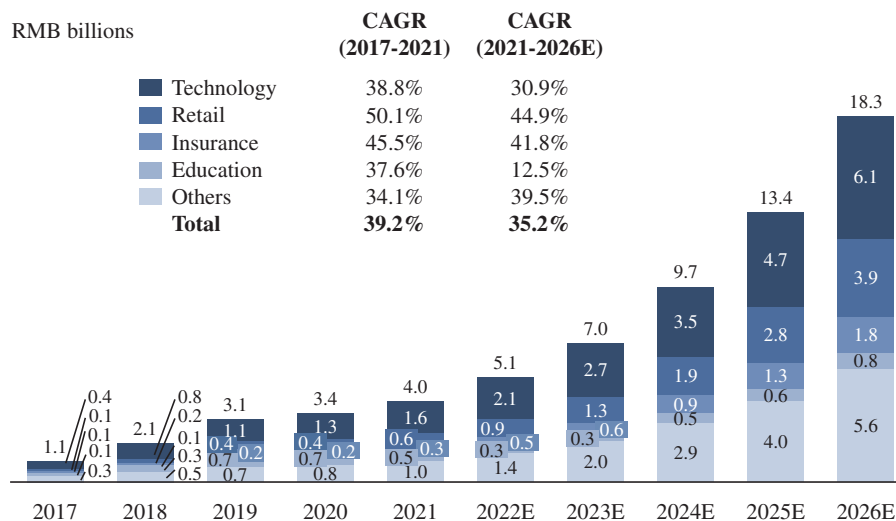
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VERTICAL SECTORS IN CHINA’S PUBLIC CLOUD CUSTOMER CONTACT SOLUTIONS INDUSTRY

Enterprises from the technology, retail and insurance sectors account for a significant share of revenue generated by China’s cloud-based customer contact solutions providers.

The following diagram illustrates the breakdown of historical and projected market size of China’s public cloud customer contact solutions industry in terms of revenue by vertical sectors for the years indicated.

Market size of China’s public cloud customer contact solutions, by industries, 2017-2026E



Note: Others include banking, professional services, manufacturing, healthcare, telecommunications, real estate, logistics, and agriculture.

Source: CIC Report

Being the first sector to undergo digital transformation and having achieved an advanced digitalization level, the technology sector is the largest vertical covered by China’s public cloud customer contact solutions industry. Facing intensified competition, technology enterprises are expected to increase their investments in customer contact solutions to improve customer experience and differentiate themselves from their competitors. According to the CIC Report, revenues generated from the technology sector have increased from RMB0.4 billion in 2017 to RMB1.6 billion in 2021, representing a CAGR of 38.8%, and are expected to reach RMB6.1 billion in 2026 at a CAGR of 30.9%.

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Public cloud customer contact solutions also see significant growth potentials in traditional sectors, such as insurance and retail, as enterprise in these sectors are increasingly willing to accept deployment in public clouds as cloud service providers keep reinforcing their security measures. Insurance companies have a high demand for customer contact solutions that enable innovative applications. For example, they may use auto-generated text and voice reminders to assist with debt collection, overdue payment reminder, and insurance claim processing. In addition, the retail sector has been undergoing a transformation driven by the expansion of digital channels. Retailers increasingly rely on cloud-based customer contact solutions to deliver omni-channel customer engagement and increase lead generation and conversion.

COMPETITIVE LANDSCAPE OF CHINA’S PUBLIC CLOUD CUSTOMER CONTACT SOLUTIONS INDUSTRY

The public cloud customer contact solutions industry in China is highly fragmented and competitive. According to the CIC Report, it is estimated that there were approximately 1,500 players in the customer contact solutions industry in China in 2021. The Company is the largest provider of public cloud customer contact solutions in China as measured by revenue in 2021, with a market share of approximately 10.3%.

The table below sets forth the market shares of the top five players in China’s industry for public cloud customer contact solutions in terms of revenue in 2021.

	Total revenue (inclusive of VAT) derived from public cloud customer contact solutions in 2021 (RMB in millions)	Market Share (%)
1. The Company	416.0	10.3%
2. ChannelSoft (Beijing) Technology Co., Ltd. , a privately-owned company headquartered in China with approximately 600 employees, primarily providing communication solutions for customer services and intelligent marketing	~370.0	~9.1%
3. Cloopen Group Holding Limited , a US-listed company headquartered in China with more than 1,000 employees, primarily providing cloud communication solutions, including cloud-based customer contact solutions, Communications Platform as a Service (CPaaS) solutions, and Unified Communications and Collaboration (UC&C) solutions	~320.0	~7.9%

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	Total revenue (inclusive of VAT) derived from public cloud customer contact solutions in 2021	Market Share
	(RMB in millions)	(%)
<p>4. <u>Beijing Wofeng Times Data Technology Co., Ltd.</u>, a privately-owned company headquartered in China with more than 500 employees, primarily providing communication solutions for customer services, sales and marketing and customer relationship management</p>	~195.0	4.8%
<p>5. <u>Beijing Sobot Technologies Co., Ltd.</u>, a privately-owned company headquartered in China with approximately 400 employees, primarily developing AI and robot technology solutions for customer service applications.</p>	~150.0	3.7%

Source: CIC Report

Success in China’s public cloud customer contact solutions industry depends primarily on the following factors.

- *Comprehensive and adaptable solutions.* Enterprises’ demands for integrated customer contact solutions are rapidly increasing. The ability of an industry participant to respond to changing client demands and emerging business functions is critical to its business success. One of the hallmarks of superior cloud-based customer contact solutions is its adaptability to various business scenarios, including customer service, sales, marketing, collection, to recruitment, technical support and customer notification, without requiring substantial investments in new hardware or software. Industry participants with comprehensive solution portfolios are well-positioned to capture market opportunity and outperform other competitors. In addition, comprehensive offerings serving diverse customer contact needs is essential for growing client base and cross-selling to existing clients.

- *System stability and security.* The success of a cloud-based customer contact solutions provider depends in large part upon the capacity, stability and performance of its solutions. The ability to achieve expected performance levels free from major service disruptions is critical to retain and attract clients. Further, clients use cloud-based customer contact solutions to transmit, store and analyze a significant amount of confidential data. Having robust security measures in place to preempt unauthorized access, security breaches or other cyberattacks is key in earning client trust.

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- *Strong brand recognition.* Strong brand recognition, built from a proven track record of high-quality solutions and services, plays an important role in attracting new clients and retaining existing ones. When selecting cloud-based customer contact solutions, enterprises usually compare between three to five providers. Providers with strong brand awareness are more likely to be shortlisted for the selection pool.
- *Ability to continuously innovate services and solutions.* The cloud-based customer contact solutions industry is evolving at a rapid pace. New technologies, such as SD-WAN and AI, continue to emerge to enhance the stability, availability and security of cloud-based communications. Cloud-based customer contact solutions providers with the ability to continuously achieve new technological advances are expected to achieve sustained success.
- *Vertical expertise in developing industry-specific solutions.* Experience of serving clients from a specific industry contributes to the accumulation of industry-specific knowledge and insights and the development of tailored solutions. Enterprises with vertical expertise can gain competitive advantages and develop strong commercial awareness necessary to penetrate expediently into various industries and fields.

The major entry barriers of China’s public cloud customer contact solutions industry are as follows:

- *Technology.* Delivering high-quality cloud-based customer contact solutions require advanced software development, communication, networking, cloud computing technologies, which takes significant time, financial and talent resources to accumulate. In addition to theoretical knowledge and IP, practical experience and relevant technical professionals are also critical in applying such technologies to satisfy clients’ needs. Continuously evolving technologies have built a high barrier for new entrants.
- *Client base.* New entrants face challenges in establishing a sufficiently large client base and continuing to acquire new clients, which requires effective sales and marketing channel, a proven track record, a broad geographical coverage, a well-trained sales team and extensive market research. New entrants may not have such resources and have to compete with established players who enjoy significant first-mover advantages.
- *Industry know-how.* To compete effectively, cloud-based customer contact solution providers are expected to provide diverse, sophisticated functions to meet the varying needs of clients in different industries and with different business needs. Further, the use of customer contact solutions in different scenarios and network environments poses divergent challenges for system stability and security, which usually require considerable industry experience. Players that are well versed in industry know-how can bring greater value to clients, the accumulation of which takes considerable time and resources. Compared to new entrants, established players have accumulated extensive experience while serving clients of different sizes in different industries and formed deep insights into the operations process and business characteristics of different industries.

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- *Talent.* Talents are a key competitive differentiator of cloud-based customer contact solutions. Developing and delivering cloud-based customer contact solutions require a combination of advanced technologies. Cross-disciplinary professionals who mastered these core technologies and possess practical experience in technological application are highly sought-after. Further, designing industry-tailored solutions often requires industry-specific know-how and familiarity with clients’ business process and business needs. Professional talents meeting these requirements are relatively scarce. Compared to new entrants, established players usually have more comprehensive training programs to cultivate talent from within.

Cloud-based customer contact solutions providers integrate communication channels such as WeCom into their platforms, so their clients can interact with customers across multiple channels on one integrated software. These communication platforms generally do not offer the key functions of customer contact solutions, such as interactive voice response (IVR), automatic call distributor (ACD), computer telephony integration (CTI), predictive dialer, intelligent agent assistance, speech analytics and reporting tools. According to the CIC Report, communication platforms in general focus on building an ecosystem where third-party vendors can offer services such as customer contact solutions via their open protocol. According to the same source, they currently do not offer the key functions of customer contact solutions, such as interactive voice response (IVR), automatic call distributor (ACD), computer telephony integration (CTI), predictive dialer, intelligent agent assistance, speech analytics and reporting tools, and the major platforms have not publicly disclosed any plans to develop such key technologies in their short-term investment strategies. Therefore, CIC believes the likelihood that communication platforms such as WeCom will expand to offer cloud-based customer contact solutions is relatively low.