

INDUSTRY OVERVIEW

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OVERVIEW OF THE INTELLIGENT CRM SERVICES INDUSTRY IN THE PRC

Definition of intelligent CRM services

Intelligent Customer Relationship Management (CRM) refers to comprehensive CRM services integrated with cloud and communications, Artificial Intelligence ("AI") and Data Intelligence ("DI"), providing both PaaS and SaaS services. Intelligent CRM services enable a broad range of clients to manage their critical operations throughout the entire business cycle in a more efficient and effective way.

Characteristics of intelligent CRM services market in the PRC

The traditional CRM market emerged in the PRC in 2000, and further developed since 2015, strongly benefited from the rapid development of the Internet and SaaS services. Entering 2018, intelligent CRM services providers began to emerge offering comprehensive CRM services integrated with cloud and multi-touch communication, AI and DI capabilities. Effectively solving the pain points of traditional CRM services such as lack of customised products, low operating efficiency, difficulty in enhancing client retention rate, intelligent CRM services providers are subverting the traditional market in the long run.

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Customised services empowered by in-depth industry knowledge and expertise

Intelligent CRM services products are able to provide one-stop intelligent CRM services through a comprehensive product matrix covering different sectors and business scenarios throughout clients' entire business cycle from initial marketing, sales, to after-sales services, thus can effectively improve the satisfaction rate as well as the retention rate of clients. With in-depth understanding of needs that emerged from clients in various industries with industry specific requests, intelligent CRM services can provide further customised and targeted solutions.

Improving efficiency

Benefiting from AI, and DI technologies, intelligent CRM services have strong ability of storing, computing and modelling which can significantly improve the operating efficiency and the quality of organisational communications, compared with traditional CRM services. In addition, with intelligent CRM services, the industry clients not only able to acquire and monitor their customers' data timely, but also forecast future business opportunities and gain valuable insights through precise data analytics, which enable clients to make more efficient and reasonable business decisions.

Enhancement of client stickiness

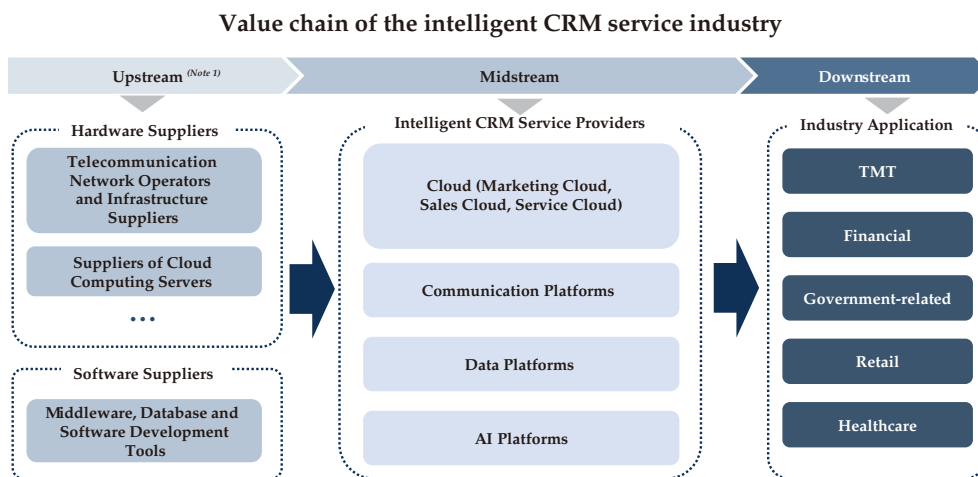
With the advanced capacities of intelligent CRM services, intelligent CRM services providers enable their clients to grasp end-customers' changing insights and consumption habits in a timely manner and to reach and interact with them more effectively, which can help to improve end-customers' retention rate and stickiness in an effective way. As a result, the industry clients would like to have a long-term cooperation with reliable intelligent CRM services providers, which in return enhance the stickiness of intelligent CRM services providers, achieving a win-win situation.

Value chain analysis

The value chain of the intelligent CRM services market in the PRC consists of upstream hardware and software suppliers, midstream intelligent CRM services providers, and downstream industry users.

Upstream suppliers including hardware suppliers and software suppliers are crucial. Hardware suppliers mainly include telecommunication network operators and infrastructure suppliers as well as suppliers of cloud computing servers; and software suppliers mainly provide middleware, database and software development tools for midstream platforms. Technology, Media, Telecom (TMT), financial (includes banking, securities and insurance), Government-related, and retail are the major downstream industries of the intelligent CRM services market in the PRC.

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Source: Frost & Sullivan report

Note:

- (1) (a) telecommunication network operators and infrastructure suppliers provide basic infrastructure and channel to the entire intelligent CRM services cycle, e.g. China Telecom, China Mobile and China Unicom; (b) cloud computing server suppliers provide strong cloud computing and communication capability.

Value Proposition of Intelligent CRM Services Providers

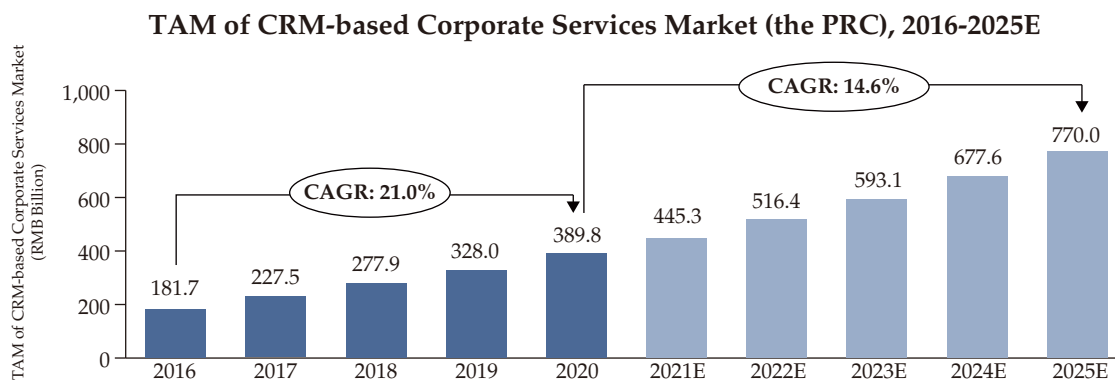
Intelligent CRM services providers are the major components of intelligent CRM services industry in the PRC and serve as a bridge which connects upstream and downstream. The intelligent CRM services consist of CRM PaaS and CRM SaaS services. CRM PaaS services encapsulates cloud and multi-touch communication, AI and DI capabilities to be integrated into clients' business systems; and the CRM SaaS services include (i) marketing cloud solutions which enable clients to promote their products or services to targeted audiences precisely, seeking their attention and maintaining relationships between clients and their end customers, (ii) sales cloud solutions which are able to improve client's customer acquisition capabilities and achieve higher sales efficiency, and (iii) service cloud solutions which help to enhance clients' customer service quality and improve customer retention rate.

Given that the internet network and telecommunications in the PRC typically operate in separate entities, through a number of provincial branches, intelligent CRM services providers can leverage platforms and cloud computing capabilities to integrate communication traffic from upstream telecommunication network operators so as to allow telecommunication network operators to access and manage the integrated telecommunication resources centrally through intelligent CRM services with higher efficiency. The major telecommunication network operators in the PRC are client-supplier D, E and H (which are also our major suppliers during the Track Record Period) and their market shares accounted for 20.3%, 51.2%, and 27.5% in terms of revenue of telecommunication services, respectively, in the PRC telecommunication industry in 2020.

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The TAM of CRM-based corporate service industry in the PRC

The TAM of the CRM-based corporate services market is estimated to increase from RMB181.7 billion in 2016 to RMB389.8 billion in 2020, with a CAGR of 21.0%, assuming all enterprises using the CRM-based corporate services. In 2025, the TAM of CRM-based corporate services is expected to reach to RMB770.0 billion, with a CAGR of 14.6%.



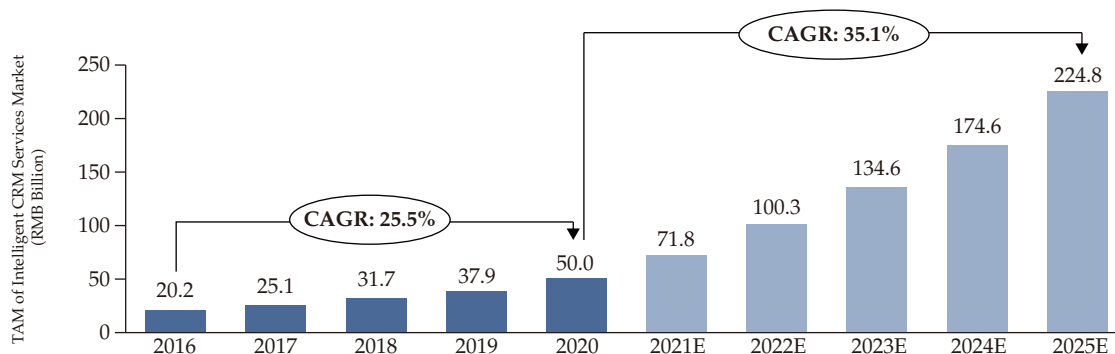
Source: Frost & Sullivan

Market size and growth of intelligent CRM services industry in the PRC

With the development of cloud communication facilities, an increasing number of internet users, and strong demand from downstream users, the intelligent CRM services market has experienced tremendous growth in recent years assuming all enterprises using intelligent CRM services, which are fully integrated with capabilities including cloud and communications, Artificial Intelligence (“AI”) and Data Intelligence (“DI”), providing both PaaS and SaaS services. The TAM of the intelligent CRM services market increased from RMB20.2 billion in 2016 to RMB50.0 billion in 2020, representing a CAGR of 25.5%. In the future, the TAM of the intelligent CRM services market is expected to increase to RMB224.8 billion in 2025, representing a CAGR of 35.1% from 2020. The TAM of the intelligent CRM services market is still in a relatively fragmented stage as different types of players are trying to expand their services mix alongside with the rapid growth of the entire market.

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TAM of intelligent CRM services market (the PRC), 2016-2025E

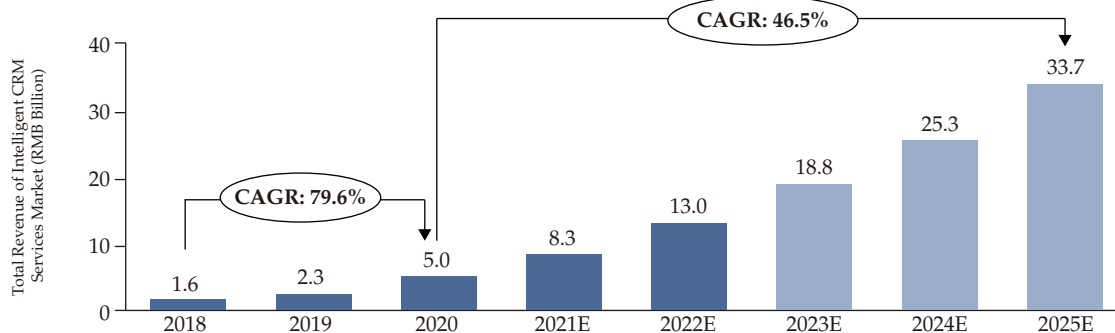


Source: China Academy of Information and Communications Technology, Frost & Sullivan

Entering 2018, intelligent CRM services providers began to emerge, offering comprehensive CRM services integrated with cloud and multi-touch communication, AI and DI capabilities. The total revenue of the intelligent CRM services market increased from RMB1.6 billion in 2018 to RMB5.0 billion in 2020. In the future, the total revenue of the intelligent CRM services market is expected to increase to approximately RMB33.7 billion in 2025, representing a CAGR of approximately 46.5% from 2020. In 2020, the total revenue of intelligent CRM services market accounted for 10.0% of the TAM of intelligent CRM services market, and will further account for 15.0% of the TAM of intelligent CRM services market in 2025 as expected.

The intelligent CRM services providers can serve their clients' evolving business needs and leverage on their comprehensive services mix powered by technologies such as big data, AI, DI, cloud computing, etc., hence achieving faster growth by capturing market opportunities than traditional CRM services providers and other service providers.

Total Revenue of Intelligent CRM Service Market (the PRC), 2018-2025E



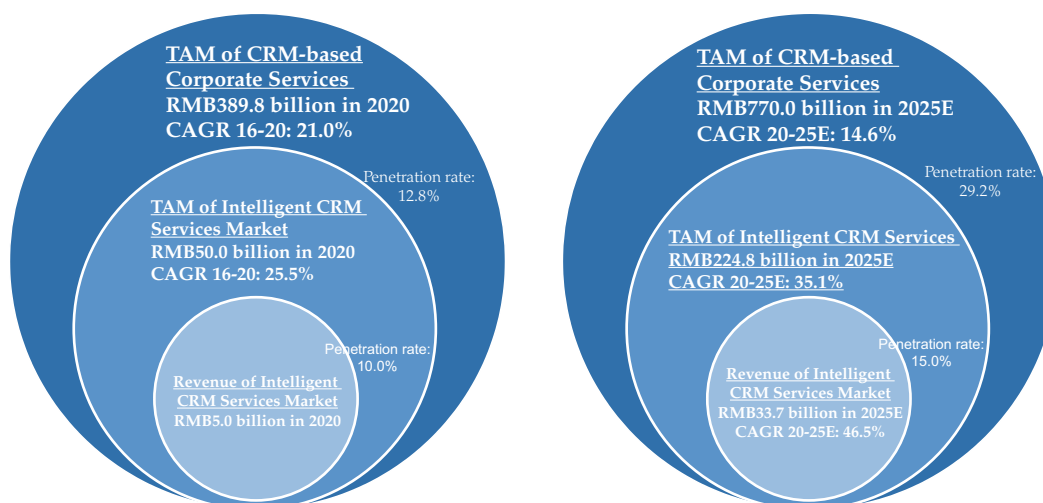
Scientific and technological progress has promoted the development of digital economy, which brings new challenges and higher requirements for daily operations, business model upgrades and strategic planning for Chinese enterprises. However, the large-scale enterprises generally have stronger purchasing power with higher demands of communications and CRM services demand, as well as larger customer base, compared to small- and medium-sized enterprises. In the future, with the digital transformation and

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rising market acceptance of intelligent CRM services, an increasing number of small- and medium-sized enterprises is expected to become clients for intelligent CRM services suppliers.

Source: Frost & Sullivan

TAM of CRM-based, Intelligent CRM Service Market and Revenue of Intelligent CRM Service Market (the PRC), 2020 vs. 2025E



Source: Frost & Sullivan

Intelligent CRM services development in major industries

In recent years, more enterprises have demonstrated a strong awareness of using intelligent CRM services instead of traditional CRM products, due to the benefits and advantages brought by intelligent CRM services. TMT, financial, retail, and government are the major vertical applications of the intelligent CRM services market in the PRC. As for the penetration rate among industries for intelligent CRM services, because of the large business scale and strong demand of these industries, TMT and financial are the top industries with over 15.0% penetration rate in 2020. With the development of new consumption behaviour and new model of retail business, the retail industry has shown the highest growth rate of penetration rate among the others.

Key drivers for the intelligent CRM services industry in the PRC

Stable development of communication infrastructure

The PRC has witnessed steady growth in the information technology ("IT") industry and the advancement of basic communication infrastructure in recent years, which provides a solid foundation for the development of the intelligent CRM services market. The total IT expenditure, which is mainly used in construction of basic IT infrastructure, has increased from RMB2,301.2 billion in 2016 to RMB2,866.7 billion in 2020, which reflected the stable development of basic IT infrastructure. Stable communication infrastructure is essential for the development of the intelligent CRM

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services market, as it relies on internet and cloud computing to acquire and process customer' data so as to provide customised and one-stop intelligent CRM services to different clients.

Strong downstream demand for improving service quality and integrated intelligent CRM services

With an increasing number of enterprises and a dynamic of customers' changing needs, the downstream industries are facing fierce and intense competition. Therefore, it is crucial to obtain an in-depth understanding of consumption habits and preferences of different customers, as well as improving customer service quality and satisfaction. An intelligent CRM services provides an intelligent integrated platform to analyse customers' first-hand information and form customised solutions quickly, which can improve enterprises' service quality and operational efficiency. Meanwhile, more enterprises have been aware of the importance of integrated intelligent CRM services, which utilise advanced technology to build comprehensive and efficient data and service system, as well as optimise their entire product life cycle systems.

Favourable policies

The PRC government has issued and implemented a series of policies that encourage the adoption of cloud computing, AI and big data, which facilitates the continued development and broad application of cloud communication services and intelligent CRM services. For example, the Ministry of Industry and Information Technology issued the "Three-year Action Plan for Cloud Computing Development (2017-2019)" (《雲計算發展三年行動計劃(2017-2019年)》) to encourage the technological innovation and transformation of cloud computing related enterprises.

Future development of the intelligent CRM services industry in the PRC

Integration of artificial intelligence and big data

The integration of artificial intelligence ("AI") and big data with intelligent CRM services is expected to become a market trend in the future. According to the "Artificial Intelligence Development Report 2020" (《人工智能發展報告2020》), the PRC is ranked in the forefront of multiple sub-fields of AI and is ranked first in the number of patent applications in the world. Benefiting from the rapid development of AI, enterprises can utilise voice robots, image recognition, automatic text input to optimise the software use efficiency and simplify the difficulty of software use. Big data, mainly reflected in Business Intelligence ("BI") and Data Intelligence ("DI"), which helps enterprises to better manage and retain customer data and explore potential businesses and opportunities. By portraying multi-dimensional desensitised user portraits such as name, age, gender, purchase information, browsing action and other dimension information, enterprises can have a clear insight of their customers and businesses, thus achieving higher sales by precise targeting.

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Complete industrial chain development

Traditional CRM services mainly help enterprises organise and locate their customer database in order to facilitate effective allocation of resources, and simplify the communication methods for salesperson. In order to become more customer-centric, a complete industrial chain linking enterprise, distributors, and service providers is expected to become one of the major features in the intelligent CRM services market of the PRC.

The development of comprehensive CRM services with multi-touch communication

Intelligent CRM services providers are expected to offer comprehensive, all-channel marketing solutions with multi-touch communication capabilities (e.g. voice and text verification code module, notification text and call module, hidden-number, video message, 5G message and WeChat message module), in order to satisfy clients' various communication needs and empower with ready-to-use communication capabilities covering entire business cycle.

Cross-selling and integrated solutions

To satisfy the diverse needs of downstream users throughout the entire business process, the ability of enterprises to provide integrated solutions including pre-sales and after-sales services, such as marketing, sales, services and technical supports, is vital. Services providers are expected to adopt the strategy of cross-selling in marketing cloud, sale cloud and service cloud by replicable technical foundation and experience. Therefore, the marketing drainage of different products, the marginal cost of acquiring new users is expected to reduce, thus becoming more cost-efficient.

Impact of the COVID-19 on the intelligent CRM services industry

The COVID-19 pandemic has further necessitated and accelerated the adoption of intelligent CRM services. Under the COVID-19 epidemic, more companies have turned to online customer acquisition and online customer management, and intelligent CRM services has been a powerful digital tool. Remote collaboration, online meetings, and online customer service based on cloud computing technology have been more commonly used in commercial area with the help of capable intelligent CRM solutions. As the intelligent CRM services system continues to evolve in terms of connectivity, mobility, big data orientation, social networking and other capabilities, it is expected to better help enterprises connect internally and externally, which in turn further deepen the progress of digitalisation during the COVID-19 epidemic.

In addition, advanced technologies and applications related to intelligent CRM services emerged during the COVID-19 pandemic, supported by strong demand from downstream industry users, such as retail, TMT, education, etc. With the explosive growth of customer data, more comprehensive integration of AI technology into intelligent CRM services systems has also become another trend. AI, under the COVID-19 epidemic, has become a key function of the continuous evolution of intelligent CRM services, which assists customers in diagnosing information more quickly and provides more accurate predictions.

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COMPETITIVE OVERVIEW OF THE INTELLIGENT CRM SERVICES INDUSTRY IN THE PRC

The intelligent CRM services industry in the PRC is relatively concentrated with top five domestic players accounted for an aggregate market share of 57.3% in terms of revenue in 2020. Our company was the largest domestic provider of the intelligent CRM services in the PRC in terms of revenue in 2020, with a market share of 15.9%.

Market shares of top five players in the intelligent CRM services industry

The intelligent CRM service industry in the PRC is relatively concentrated with top five domestic players accounted for an aggregate market share of 57.3% in terms of revenue in 2020. Our company was the largest domestic provider of the intelligent CRM services in the PRC in terms of revenue in 2020, with a market share of 15.9%.

The table below sets forth the market shares of the top five players in the intelligent CRM services industry in terms of revenue in 2020.

	Total revenue derived from intelligent CRM services in 2020 <i>(RMB in millions)</i>	Market Share <i>(%)</i>
1. Our Company	796.8	15.9
2. Company A ⁱ	763.5	15.3
3. Company B ⁱⁱ	585.0	11.7
4. Company C ⁱⁱⁱ	380.0	7.6
5. Company D ^{iv}	341.2	6.8
Top five	2,866.5	57.3
Total	5,000.0	100.0

The intelligent CRM services consist of CRM PaaS service segment and CRM SaaS service segment. CRM PaaS service segment encapsulates cloud and multi-touch communication, AI and DI capabilities to be integrated into clients' business systems; and the CRM SaaS service segment include (i) marketing cloud solutions, (ii) sales cloud solutions, and (iii) service cloud solutions.

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Market shares of top five players in the CRM PaaS services segment

The table below sets forth the market shares of the top five players in the CRM PaaS services segment in terms of revenue in 2020.

		Total revenue derived from CRM PaaS services in 2020 (RMB in millions)
1.	Company A ⁱ	691.9
2.	Our Company	460.8
3.	Company E ^v	230.8
4.	Company B ⁱⁱ	85.0
5.	Company D ^{iv}	41.2
	Top five	1,509.7

Market shares of top five players in the CRM SaaS services segment

The table below sets forth the market shares of the top five players in the CRM SaaS services segment in terms of revenue in 2020.

		Total revenue derived from CRM SaaS services in 2020 (RMB in millions)
1.	Company B ⁱⁱ	500.0
2.	Company C ⁱⁱⁱ	380.0
3.	Our Company	335.9
4.	Company D ^{iv}	300.0
5.	Company F ^{vi}	200.0
	Top five	1,715.9

Source: Frost & Sullivan Report

Notes:

The Company's data is provided by the Company's audit data.

- i Company A is a company listed in the New York Stock Exchange, founded in 2013. It principally provides communication cloud services and intelligent CRM services.
- ii Company B is a company listed in the Hong Kong Stock Exchange, founded in 2012. It principally provides marketing solutions and intelligent CRM services.
- iii Company C is a company listed in the Hong Kong Stock Exchange, founded in 2013. It principally provides marketing solutions and intelligent CRM services.
- iv Company D is a private company, founded in 2006. It principally provides communication cloud services and intelligent CRM services.

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- v. Company E is a private company, founded in 2010. It principally provides intelligent CRM services including CRM PaaS and CRM SaaS services.
- vi. Company F is a private company, founded in 2002. It principally provides intelligent CRM services including CRM SaaS and CRM PaaS services.

Key factors leading to the success in the intelligent CRM services industry in the PRC

Rapid deployment

Intelligent CRM services can be quickly deployed and easily configured, which saves more time for clients in the process of installing or maintaining servers, network equipment, security system, or other infrastructure hardware and software required to ensure scalable and reliable services. In addition, cloud communication and SaaS services are applied in the intelligent CRM products at the same time, helping clients with a more integrated and smoother customer relationship management from its rapid deployment.

Secure, scalable and reliable platform

Intelligent CRM services are designed to provide clients with high levels of reliability, performance, and security. When clients use intelligent CRM services, it ensures excellent security, thus safeguards their business data. Stable network performance and ultra-high bandwidth also enable CRM services providers to meet and tailor the needs of different clients in accordance with their business models.

Brand awareness and reputation

Branding is crucial to the intelligent CRM services providers in order to attract prospective clients and generate revenue. One way to attain better branding is through building up reputation with products and services of high quality, since that would inevitably attract new clients, and ultimately help expand the market shares of an intelligent CRM services provider. Moreover, most clients do not tend to switch to any alternative due to high switching costs and risks of losing a reliable service provider. Therefore, clients normally prefer to renew their present contracts, and it is such loyalty from clients that helps intelligent CRM services providers to succeed in the market.

Integration of technologies

Integration amongst big data, AI, DI, and other leading technologies are the other key factors for the success in the industry. Use of big data helps clients obtain more accurate data, clearer visual analysis and real time tracking amidst their daily operation. Meanwhile, the use of AI helps client in their efficient decision-making processes, problem diagnosis and other services.

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Entry barriers of intelligent CRM services industry in the PRC

Professional skills and team with innovative abilities

Due to the fact that the intelligent CRM services market is heavily technology-oriented, strong R&D capacity is the foundation to achieve success in this market. Therefore, having a solid team of innovative professional personnel in the R&D department would be crucial and advantageous in constructing a highly efficient R&D structure, which enables intelligent CRM services providers to capture complex and evolving clients' demands over public and private clouds for clients across small-, medium and large enterprises. Hence, new entrants would have difficulties in accumulating CRM and cloud communication technologies and recruiting experts in this area.

Synergistic product

The core of intelligent CRM services lies with the integration of cloud and multi-touch communication, AI and DI capabilities into the CRM services system or process. This requires market players' experience in these two aspects in order to completely understand client's needs and provide an integrated product that can function together synergistically. For the new entrants in the market who lack experience, their inability to offer any synergistic products would be another barrier to their access to the market.

Marketing channels and customer resources

Establishing and maintaining an effective marketing-sales channel is vital for intelligent CRM services providers to reach a larger business scale, which is another barrier for new entrants. Serving corporate clients is the crux for intelligent CRM services providers to thrive in the market. Therefore, it is particularly important for market players to have a well-functioning sales and marketing mechanism to promote their products and services, and maintain a long-term relationship with existing clients at the same time. However, new entrants are relatively vulnerable in terms of business operations and maintaining product quality, making them unable to establish a solid marketing-sales channel to help them expand their customer base.

Initial capital investment

For new entrants, it is crucial to have sufficient capital to operate a sustainable intelligent CRM services business. Initial expenses include soft costs, such as hiring technical talents, software development, business promotion, and hard costs, such as server leasing/construction, building supply chain, etc. For those players who want to take up a considerable market scale in the intelligent CRM services market, sufficient start-up capital is indispensable, which sets up barriers for new entrants.

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SOURCES OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan, an independent market researcher and consultant, to conduct a detailed analysis and industry report on the market in the PRC for the intelligent CRM services market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It is principally engaged in the provision of market research consultancy service, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB400,000 in fees and expenses in connection with the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent on our successful [REDACTED] or on the result of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED].

We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this [REDACTED] to provide a comprehensive presentation of the markets in which we operate. We believe such information facilitates an understanding of such markets for potential investors. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an adverse impact on such information. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the Frost & Sullivan Report.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers, and recognised third-party industry associations. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the PRC's economy will remain stable in the forecast period; (ii) the PRC's social, economic, and political environment will remain stable in the forecast period; and (iii) market drivers, such as stable development of communication infrastructure, strong downstream demand for improving service quality and integrated intelligent CRM solutions, supportive policies, and regulations are expected to drive the growth of the PRC's intelligent CRM services market.