***Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by CIC, an independent industry consultant which was commissioned by us (the "CIC Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor,*** **[REDACTED]** ***or any other parties (other than CIC) involved in the*** **[REDACTED]** ***or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the CIC Report.***

## SOURCES OF INFORMATION

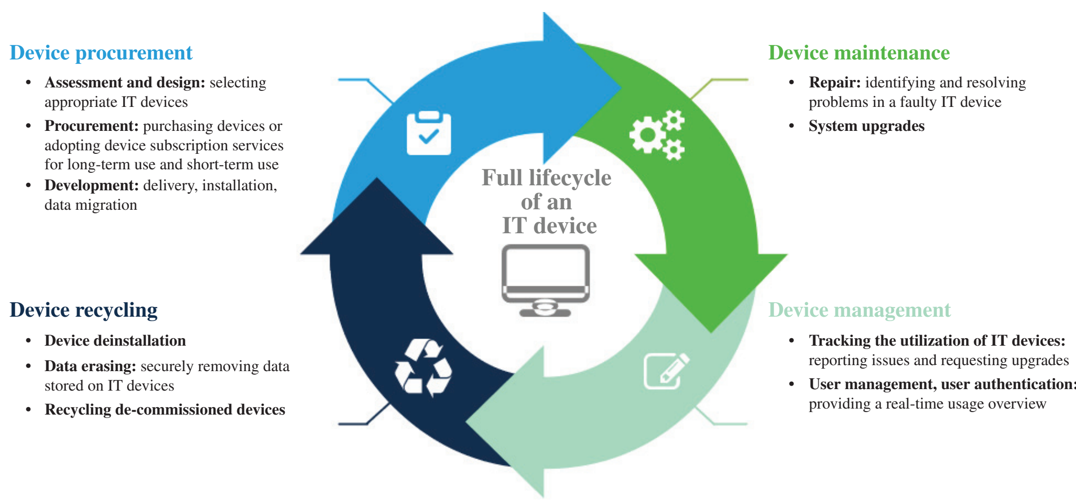
We have engaged CIC, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on China's DLM industry. CIC, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of RMB600,000 to CIC in connection with the preparation of the CIC Report. We are of the view that the payment of such amount does not impact the fairness of the conclusions drawn in the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China's DLM industry. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The CIC Report was compiled based on the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) relevant key drivers are likely to drive the continued growth of China's DLM industry throughout the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persisted or escalated and had an unpredicted negative impact on the general economy.

## THE DLM MARKET IN CHINA

### Overview

In recent years, the implementation of mass entrepreneurship and favorable policies by the Chinese government have increased the number of enterprises, especially SMEs, in China. The growing IT spending and increased digitalization needs of these SMEs and enterprises have led to the fast growth of services market of IT devices in China. Hence, the full lifecycle of an IT device, which comprises its procurement, maintenance, management and disposal, has become the key of running an efficient and effective asset-light office. DLM aims at improving enterprises' return on investment in devices and ensuring devices function at their expected quality and efficiency. DLM serves as a model for the management of IT devices which comprises a broad portfolio of solutions covering major stages of the full lifecycle of an IT device to solve pain points faced by enterprise when managing IT devices. The figure below illustrates the major activities included in the full lifecycle of an IT device:




*Source: independent research conducted by CIC based on interviews with industry players*

DLM enables better control over the functionality and efficacy of IT devices, and simpler IT device troubleshooting, which in turn may enhance company's productivity. According to CIC, China's DLM market is still in early-stage development. A majority of enterprises purchase IT devices directly and rely on their in-house IT technical team or local small-scale service providers for the management of IT devices. However, efficient DLM solutions are able to extensively solve the pain points faced by enterprises when dealing with office IT devices management and cuts the operating costs of IT devices on average compared with the traditional practices. Those pain points faced by enterprises primarily include the following:

(i) purchasing IT devices directly which creates substantial financial pressure due to the large one-time costs;

(ii) inefficient IT staffing for device maintenance due to the continuing increase in the average salary of IT personnel in China;

(iii) lack of effective device allocation to employees and lack of management and monitoring of the operating status of each IT device, which leads to inefficient equipment management and ineffective equipment utilization; and

(iv) insufficient device disposal sources and lack understanding of the timing and price for disposing of a device, potentially leading to a financial loss.

Being able to deal with the abovementioned pain points with the advantages shown in the figure, DLM solutions have now become a recent trend for device management. The emergence of DLM solutions, including device subscription services, IT technical subscription services, device management SaaS and device recycling business, has improved devices' utilization rate as well as enterprises' operating efficiency. These solutions address enterprises' needs for IT devices in multiple scenarios, including long-term subscriptions, short-term or one-time business activities, disposal and residual value treatment. Full-stack DLM solution providers are able to address the diverse needs of enterprises, achieve synergetic development of services, broaden customer base and expand cross-selling opportunities.

**Development Path for the DLM Market in China**

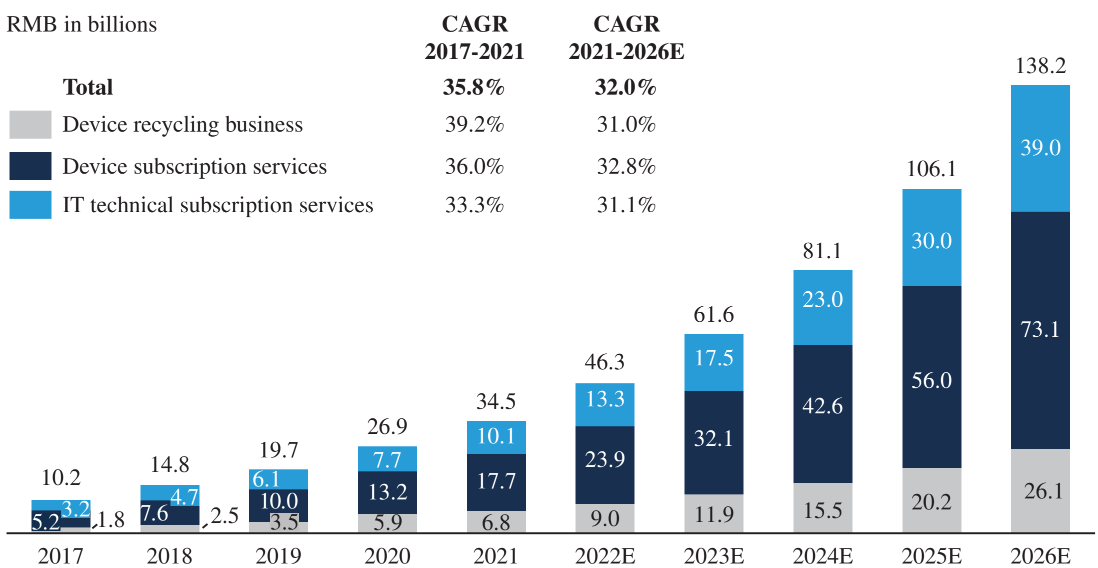
Around 2005, short-term rentals of printers and photocopiers for offline exhibitions appeared, which was the elementary stage of DLM. In the past five years, the number of SMEs in China experienced an increase due to the Chinese government's support and encouragement of entrepreneurship and the implementation of favorable policies. Demands for office IT devices in all kinds of business segments and scenarios have become constant and robust, bringing new opportunities in the offering of long-term device subscription services. After nearly a decade, demands for replacing obsolete or de-commissioned devices gave birth to device recycling business. With the acceleration of digital transformation since 2018, device management SaaS has gained its popularity. Since 2020, the occurrence of COVID-19 has encouraged a broad shift to working remotely, resulting in enterprises' increased investments in IT devices and further development of DLM market in China.

**Market Size of the DLM Market in China**

The DLM market in China has experienced impressive growth over the past five years. The overall market size has increased from RMB10.2 billion in 2017 to RMB34.5 billion in 2021 in terms of revenue. With the continuous investments in IT equipment by enterprises and the deepening of flexibility in office, the DLM market in China is expected to experience growth at a faster rate in the years ahead, increasing to RMB138.2 billion in 2026 at a CAGR of 32.0% during the forecast period from 2021 to 2026.

The following chart illustrates the DLM market size in China in terms of revenue by service category:

**Market size of the DLM market by service category, China, 2017-2026E**




*Source: (1) CIC Report, (2) Third party institutes such as the Internet Data Corporation, Tencent CDC and the Chinese Academy of Social Sciences (中國社會科學院), (3) Interviews with industry players by CIC, (4) Website of PRC major DLM solution providers, and (5) Internet Data Corporation.*

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*Note:*

(1) The DLM market size in China does not reflect the revenue generated from device management SaaS through SaaS platforms, which are primarily provided for free.

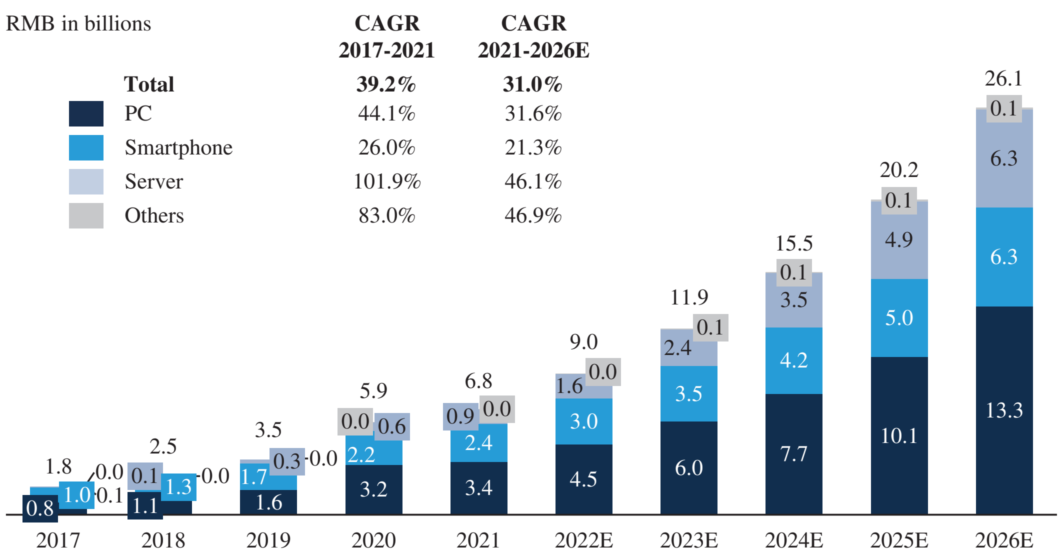
### *Device Recycling Business Market*

A large number of waste IT devices are not effectively recycled or disposed of in China. Currently, most of the recycling services are completed offline by small and local service providers who have limited knowledge or systematic service logistics. In recent years, service providers have commenced device recycling and disposal services to meet the needs of enterprise for handling de-commissioned equipment. Given the emergence of DLM solution providers as well as a growing environmental awareness among enterprises, the recycling market in China is anticipated to experience an expansion in the years ahead and continue expanding at a faster pace. The market size of device recycling business in China has grown from RMB1.8 billion in 2017 to RMB6.8 billion in 2021 in terms of revenue at a CAGR of 39.2%, and is expected to reach approximately RMB26.1 billion in 2026 in terms of revenue at a CAGR of 31.0% from 2021 to 2026.

The cloud service market in China has been booming in recent years. Many cloud service vendors have continuously increased their investment in the construction of data centers. Servers, which have grown tremendously in demand in the past decades with the development of internet companies and the transformation from offline to online business models, are expected to become one the leading device categories driving growth in the overall recycling market. The recycling market for servers will reach approximately RMB6.3 billion in 2026 in terms of revenue at a CAGR of 46.1% from 2021 to 2026.

The following chart demonstrates the market size of device recycling business in China in terms of revenue by device category:

**Market size[1] of device recycling business in the DLM market, by device category, China, 2017-2026E**




*Source: (1) CIC Report, (2) Internet Data Corporation, and (3) Interviews with industry players by CIC.*

*Note:*

(1) For the market size, only device recycling business provided by DLM solution providers are considered.

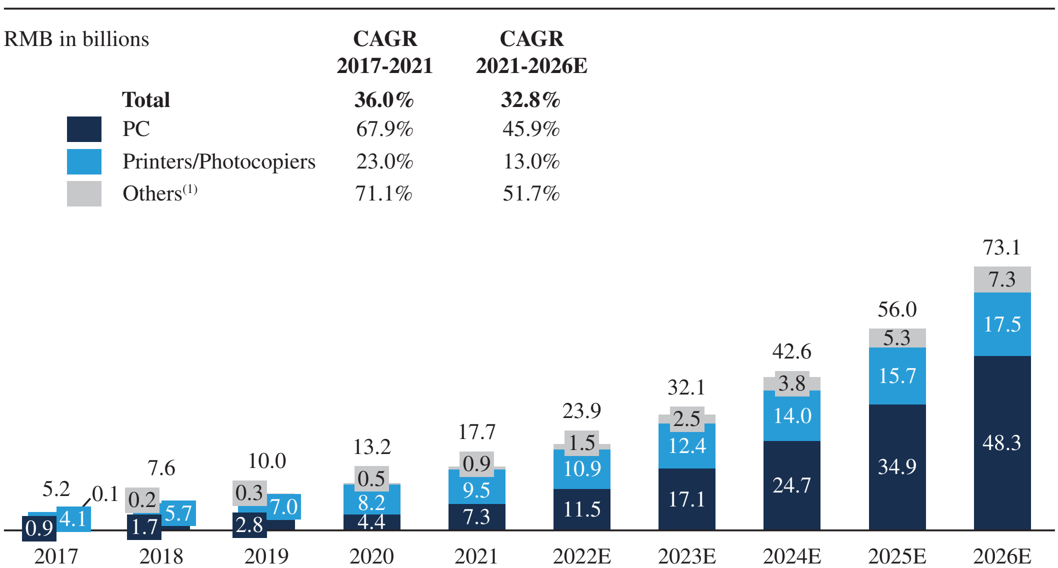
### *Device Subscription Services Market*

The market size of device subscription services in China has undergone fast growth over the past five years, growing from RMB5.2 billion in 2017 to RMB17.7 billion in 2021 in terms of revenue, representing a CAGR of 36.0%. It is expected to reach approximately RMB73.1 billion in 2026 in terms of revenue at a CAGR of 32.8% from 2021 to 2026.

The major IT devices for subscription in multiple business scenarios consist of computers, printers and photocopiers, conference devices and servers, among which subscriptions of photocopiers or printers are relatively more mature than the other devices, accounting for 53.6% of the overall device subscription services market in 2021. Currently, the device subscription services market of computers is still in the early stage of development and has a low penetration rate. As computers are the most often-used devices by white-collar workers, they are projected to surpass photocopiers and printers to become the IT device with the largest market share during the next five years at a CAGR of 45.9%. Due to the complicated maintenance and higher subscription prices, the device subscription services market of photocopiers and printers is expected to maintain a steady growth at a CAGR of 13.0% during the next five years. In the future, it is expected that DLM solution providers will broaden the device categories and business scenarios.

The following chart demonstrates the market size of device subscription services in China in terms of revenue by device category:

**Market size of device subscription services in the DLM market, by IT device category, China, 2017-2026E**




*Source: (1) CIC Report, (2) Third party institutes such as the Internet Data Corporation, Tencent CDC and the Chinese Academy of Social Sciences (中國社會科學院), (3) Interviews with industry players by CIC, and (4) Website of PRC major DLM solution providers.*

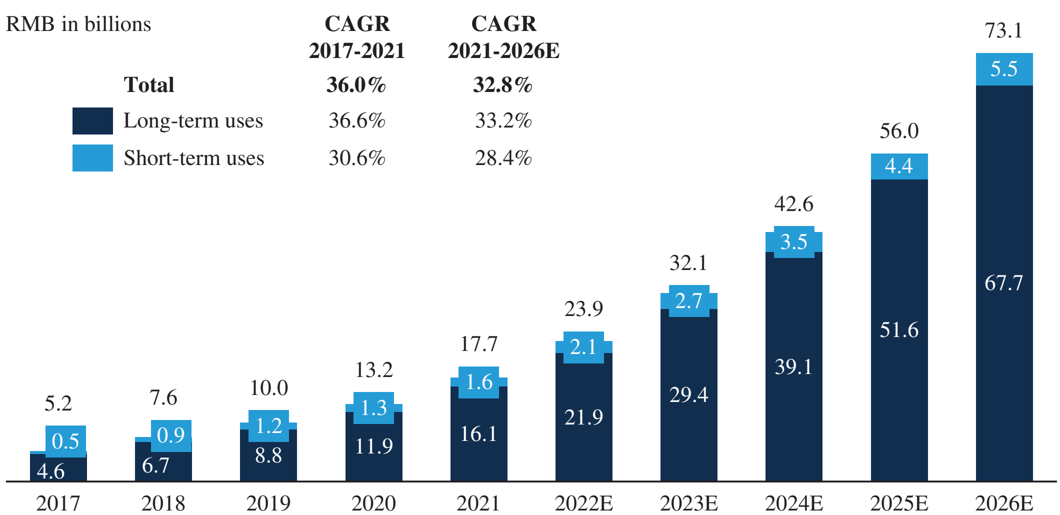
*Note:*

(1) Others primarily include projectors, interactive conference boards and servers.

Device subscription services include long-term and short-term subscriptions. A diverse range of business functions at enterprises are in need of long-term device subscription services. The long-term subscription market in China accounts for a majority market share of the overall DLM market, and is forecasted to maintain a fast growth trend over the next five years at a CAGR of 33.2% alongside the continued growth in the number of SMEs and improvements in the level of acceptance for IT device subscriptions. In the meantime, with the fast development of the MICE (Meetings, Incentives, Conferencing and Exhibitions) industry, demands for short-term subscription services have continuously increased. The short-term subscription market is expected to maintain a promising growth trend during the next five years at a CAGR of 28.4%.

The following chart demonstrates the market size of device subscription services in China in terms of revenue by business scenarios:

**Market size of the device subscription services in the DLM market, by business scenarios, China, 2017-2026E**




*Source: (1) CIC Report, (2) Third party institutes such as the Internet Data Corporation, Tencent CDC and the Chinese Academy of Social Sciences (中國社會科學院), (3) Interviews with industry players by CIC, and (4) Website of PRC major DLM solution providers.*

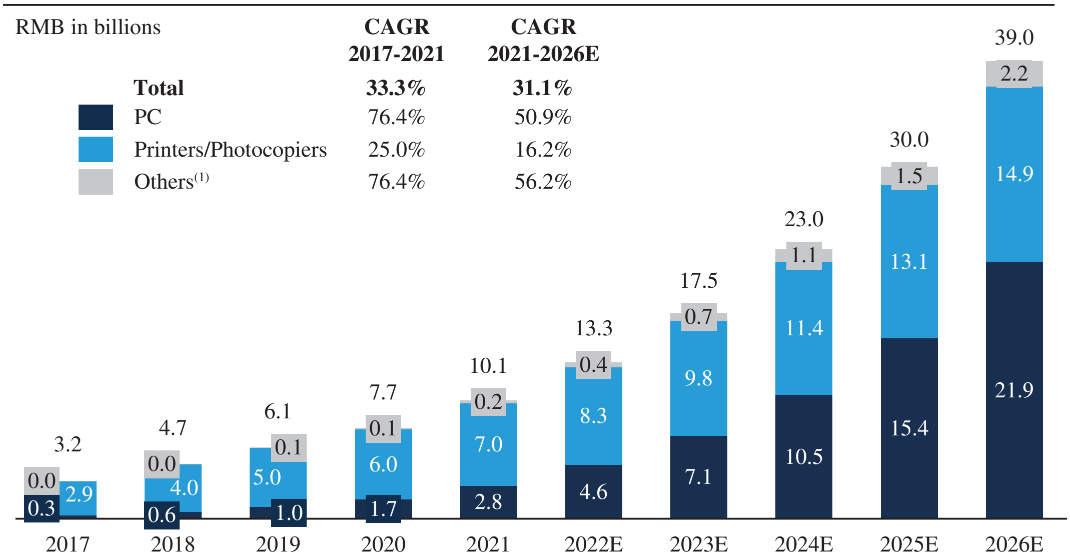
***IT Technical Subscription Services Market***

The market size of IT technical subscription services in China has been expanding over the past five years, growing from RMB3.2 billion in 2017 to RMB10.1 billion in 2021 in terms of revenue, representing a CAGR of 33.3%. As more and more enterprises tend to focus on their core businesses and operation by outsourcing the complicated and cumbersome IT technical matters to professional IT teams, their demands for IT technical subscription services are increasing. The market size of IT technical subscription services in China is expected to reach approximately RMB39.0 billion in 2026 in terms of revenue at a CAGR of 31.1% from 2021 to 2026.

It is common to encounter technical issues such as device connectivity issues and equipment failure during the daily use of printers due to its complex mechanical structure, as well as requirements to regularly replace consumables such as toner cartridges, which results in a relatively stronger demand for printer-related IT technical subscription services of enterprises. With increasing popularity for computer subscriptions, demands for computer-related IT technical subscription services will increase concurrently, expecting to achieve a CAGR of 50.9% from 2021 to 2026.

The following chart demonstrates the market size of IT technical subscription services in China in terms of revenue by device category:

**Market size of IT technical subscription services in the DLM market, by device category, China, 2017-2026E**




*Source: (1) CIC Report, (2) Third party institutes such as the Internet Data Corporation, Tencent CDC and the Chinese Academy of Social Sciences (中國社會科學院), (3) Interviews with industry players by CIC, and (4) Website of PRC major DLM solution providers.*

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*Note:*

(1) Others primarily include projectors, interactive conference boards and servers.

## Key Growth Drivers for the DLM Market in China

- *Expansion of digital transformation*. China's digital transformation strategy and enterprises' higher expectations on IT equipment performance are expected to promote the DLM market in China. Enterprises' expenditures on hardware are expected to increase from RMB1.2 trillion in 2021 to RMB2.0 trillion in 2026, and the expansion of digital transformation will help increase enterprises' continuous expenditures on IT equipment. As an important solution to device management, China's DLM market will usher in a fast-growing era.

- *Popularity of the DLM business model*. The ever-changing corporate behaviors in a fast growing market have indicated that enterprises now are more willing to pay for the useful and beneficial services in order to raise efficiency and utilize the resources without any unnecessary waste. The flexibility in office IT device procurement and management as well as the tailor-made services catered to the diverse needs of enterprises will lead to a growing popularity of the DLM business model.

- *Increasing demands for cost reduction and efficiency improvement*. Enterprises are paying more attention to cost reduction and cutting down one-time expenditures, as well as improving operational efficiency and resisting business risks during the course of business development. As DLM effectively helps with cost reduction of IT devices and efficiency improvement in IT equipment management, it has been widely accepted by enterprises.

- *Diversified office scenarios*. The outbreak of COVID-19 has facilitated the popularity of telecommunicating in China, which stimulated enterprises' demands for new IT devices, especially flexible and portable mobile devices and cloud-based video conference devices, which will further drive the fast expansion of China's DLM market.

- *Rising environmental awareness*. The Chinese government has introduced policies and incentives to promote the environmental protection in enterprises in recent years. In particular, there are action plans, guiding opinions and notices issued by MIIT, NDRC, MOF, MOFCOM and other governmental authorities promoting the recycle and utilization of waste electrical products and equipment, and supporting enterprises to strengthen the full lifecycle management of devices and facilities. Subsidies have also been provided to enterprises engaged in the processing of scrap electronics products. Enterprises have increased their environmental awareness and pay more attention to the disposal of de-commissioned IT equipment, providing development opportunities to the device recycling business market.

**Competitive Landscape for the DLM Market in China**

The DLM market in China is highly fragmented, composed of a large number of small-scale regional DLM solution providers with only a few top players whose revenues exceed the RMB500 million threshold. Roughly, China's DLM solution providers can be divided into four tiers. The fourth-tier companies consist of approximately 25,000 small-scale regional DLM solution providers who only provide services in a particular city with less than 1,000 devices for subscription. The business operations of the fourth level DLM solution providers are usually limited by factors such as financial resources and channels, and it is quite hard for them to expand its business. The third-tier companies consist of regional leading DLM solution providers with more than 1,000 but less than 10,000 devices for subscription. The second-tier companies consist of large-scale cross-regional companies setting footprints in at least three cities with more than 10,000 but less than 300,000 devices for subscription. The first-tier companies with a revenue exceeding RMB500 million and more than 300,000 devices for subscription only include two companies, one of which is us.

The following diagram illustrates the pyramid-distributed DLM market players in China:

**Number of DLM solution providers, China, 2021**


| Regional coverage | Volume of subscribed IT devices (units) | DLM revenue, 2021 (RMB million) |
|---|---|---|
| Nationwide | > 300,000 | > 500 |
| Cross-regional | 10,000 ~ 300,000 | 5 ~ 500 |
| Regional | 1,000 ~ 10,000 | 0.5 ~ 5 |
| A particular city | < 1,000 | < 0.5 |

*Source: independent research conducted by CIC based on interviews with industry players*

In 2021, the top five market players (all of which are independent from device manufacturers) in terms of revenue in the industry accounted for approximately 7.2% of the total market share. In the same year, we generated revenue of RMB1.3 billion from our DLM business (including device recycling business, device subscription services, IT technical subscription services and device management SaaS), accounting for approximately 3.9% of the total market share. In addition, the pay-as-you-go office IT integrated solutions of Edianyun (similar to our device and IT technical subscription businesses) recorded a revenue of RMB997.9 million in 2021 while our revenue generated from the device and IT technical subscription businesses was RMB406.0 million in the same year. In this regard, Edianyun ranked the first while we ranked the second in the subscription segment of China's DLM market in 2021.

The following diagram illustrates the market shares of the top five market players in terms of revenue in 2021:

**Competitive analysis of DLM solution providers, China, 2021**

| Ranking | Company name | Year established | DLM revenue, 2021, RMB in millions | Market share in terms of revenue, 2021 | Service type | | | | Device subscription by business scenario | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Device recycling | Device subscription | IT technical subscription | Device management SaaS | Long-term uses | Short-term uses |
| 1 | Our Company | 2004 | 1,330.4 | 3.9% | √ | √ | √ | √ | √ | √ |
| 2 | Edianyun Limited (易點雲有限公司) | 2014 | 1,011.1 | 2.9% | √ | √ | √ | √ | √ | None |
| 3 | Benlizu (本立租) | 2019 | 100.0 | 0.3% | √ | √ | √ | None | √ | √ |
| 4 | Aiterent (艾特租) | 2017 | 31.3 | 0.1% | √ | √ | √ | None | √ | √ |
| 5 | Slease (閃租網) | 2016 | 30.0 | 0.1% | None | √ | √ | None | √ | √ |

*Source: independent research conducted by CIC which includes interviews with industry players and research on public information available on websites of the companies mentioned above*

*Notes:*

(1) Edianyun Limited, an unlisted company, is a leading DLM solution provider headquartered in Beijing which primarily provides DLM related to PCs.

(2) Benlizu, an unlisted company, is a leading DLM solution provider headquartered in Guangzhou which primarily provides DLM related to PCs and printers/photocopiers.

(3) Aiterent, an unlisted company, is a leading DLM solution provider headquartered in Shanghai which primarily provides DLM related to PCs, printers/photocopiers, and servers.

(4) Slease, an unlisted company, is a leading DLM solution provider headquartered in Shanghai which primarily provides DLM related to PCs and printers/photocopiers.

(5) Incomes are recognized as commission fees for commission-based platform service providers.

(6) The rankings do not include sales service providers or commissioned-based platform service providers.

### Key Factors for Success of the DLM Market in China

- *Service capabilities*. As a service-focused industry, DLM involves all aspects of solutions and services relating to devices, such as equipment maintenance and operation, system iteration and update, equipment management and residual value processing services apart from device subscription services. Service capabilities such as immediate response to needs, prompt troubleshooting and full-stack service portfolios can improve customer satisfaction and help establish long-term and stable business relationships with customers.

- *Scale effect*. Impacts brought by the scale effect include an increase in the bargaining power with suppliers and a decrease in procurement costs of DLM solution providers. As a result, DLM solution providers are able to provide their services at an advantageous price, which in turn will attract more potential customers. In addition, a nationwide service network enables customers to enjoy timely services, which contributes to customer stickiness and can further enhance the competitiveness of DLM solution providers.

- *Risk management capabilities*. Customers make payment in installments for long-term device subscription services and return the provided devices upon completion of services, which brings risks of bad debts, equipment damage and failure to retrieve the provided equipment to DLM solution providers. A comprehensive risk management system is essential to accurate customer credit risk assessment and formulation of targeted risk protection measures. A sound risk management system will lay a solid foundation for a long-term stable DLM.

- *Channel expansion capabilities and stable supplies*. DLM solution providers need to expand their vertical and horizontal channels, including acquisition of suppliers and customers as well as marketing and promoting capabilities. Strong channel expansion capabilities are crucial to stable services and a healthy business growth. In addition, it's crucial for DLM solution providers to establish and maintain stable collaborative relations with creditors and suppliers with abundant traffic resources to have access to high-quality products, accelerate channel expansions, and guarantee a stable supply. The construction of a stable channel also improves DLM solution providers' ability to timely meet the needs of customers.

**Threats, Challenges and Entry Barriers of the DLM Market in China**

***Threats and Challenges***

The major threats and challenges posed to the DLM market in China include the following aspects:

(i) The slowdown of China's economic growth may result in a low recruitment rate, which in turn may reduce enterprises' demands for DLM, especially in device replacement and recycling;

(ii) The low penetration rate of DLM market indicates that the DLM solution providers need to input more time to increase the market acceptance of DLM among enterprise customers; and

(iii) It may be hard for DLM solution providers to acquire sustainable, stable, sufficient and low-cost financing resources.

***Entry Barriers***

- *Wide upstream supply channels and strong capital resources.* DLM solution providers should be able to build deep collaborative relationships with, and gain strategical support from, upstream supply channels and device manufacturers in order to obtain the stable supply of quality IT devices at favorable costs in the DLM market. Moreover, DLM solution providers require strong capital resources to expand their business corresponding to the market development. As new market participants may not have connection with upstream suppliers and substantial capital strength, they may have difficulties in gaining competitive advantage or enter the industry in the short term.

- *Diversified customer acquisition channels and efficient DLM operation.* DLM solution providers should be able to diversify their customer acquisition channels to gain the competitive advantage. With respect to the DLM operation, building a digital device full lifecycle management platform or device management SaaS platform is crucial for DLM solution providers to monitor the conditions of devices. Furthermore, it requires the construction of nationwide device maintenance and recycling network to realize the high efficiency of device operation.

- *Refurbishment capabilities*. It is crucial for DLM solution providers to possess capabilities of refurbishing and remanufacturing IT devices to extend the lifecycle and improve the efficiency of IT devices. New entrants without such capabilities and techniques may face greater challenges when entering the market.

- *Comprehensive risk control system*. It is important and requires technology skills for new DLM solution providers to establish a comprehensive and effective risk control system to reduce the loss that may be caused by credit risks from enterprise customers.

**Future Trends for the DLM Market in China**

- *Asset-light operation*. Facilitated by DLM, running an asset-light office will become more prevalent. As enterprises no longer need to procure fixed IT assets, they will maintain a better cash flow to invest in business development.

- *Diversified device categories*. Corporate needs for multiple IT device categories will continue to expand in the next few years. Computers and printers and photocopiers are projected to account for the largest share of the long-term subscription market, while conference devices meanwhile will maintain the fastest growth as a new entrant to the market.

- *Broadened service portfolio*. As corporate needs for a full-stack IT DLM are increasing, DLM solution providers have gradually begun to provide a portfolio of services including device recycling business, device subscription services, IT technical subscription services and device management SaaS.

- *Growing penetration rate of DLM*. There is a trend that enterprises in China are adopting DLM. SMEs adopt device subscription services to avoid the large initial procurement costs of IT equipment, and large companies are gradually adopting a DLM portfolio. As business scenarios of DLM have become more extensive, the market penetration rate will increase accordingly.

**Impacts of COVID-19 on the DLM Market in China**

COVID-19 accelerated the penetration of the overall DLM market. The COVID-19 pandemic has wielded a huge impact on the business operation for most SMEs, as SMEs are eager to reduce costs in order to maintain their basic operation. DLM solutions offer a way of cost reduction for SMEs and help them survive in this pandemic. Hence, a considerable number of SMEs have chosen to adopt DLM solutions instead of the traditional procurement of IT devices. Moreover, the majority of white-collar workers are required to work remotely under relevant COVID-19 measures, which has considerably increased the demand for IT devices, such as laptops. This surge of the demand of IT devices has offered an enormous market opportunity for China's DLM market. Furthermore, COVID-19 has stimulated the demand for conference devices such as projectors and display screens. During the COVID-19 pandemic, physical meetings have to be switched to online meetings. It has largely created the need for video conferencing devices and tools which has also facilitated the growth of China's DLM market. In conclusion, the impact on China's DLM market is relatively minor compared to other countries.

**Cost Analysis of the DLM Market in China**

The costs of DLM mainly consist of those of the IT device procurement and labor. Specifically, with respect to the IT device procurement cost, China's producer price index (PPI) for computers, communication and other electronic devices is relatively stable, fluctuating around PPI 99. Regarding the labor cost, the average annual salary in the information transmission, software and information technology services industry has risen from RMB122,478 in 2016 to RMB177,544 in 2020.