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OVERVIEW

Who we are

We are a company listed on the Main Board of Shenzhen Stock Exchange with digital marketing and pump and pumping system as our core businesses.

Our digital marketing business has become our core business after more than a decade of rapid development. According to Frost & Sullivan, the digital marketing industry is highly fragmented and competitive, and we ranked as the largest digital marketing company in the PRC with a market share of 1.16% in terms of revenue in 2025. We are committed to developing a full-link AI marketing system driven by AI agents, covering the entire digital marketing workflow, including “demand insights, idea generation, advertisement placement, performance optimization, and customer service.” Supported by the development of over one hundred AI agent tools and workflows, we have established a commercially valuable digital marketing service system capable of fully understanding customer needs, focusing on traffic targeting precision, reaching end-customers effectively, and achieving value conversion.

As the cornerstone of our Group’s business, the pump and pumping system segment has provided us with sustained and stable revenue and cash flow. We continue to strengthen our competitive advantages, persistently advance the development of and the factory construction for intelligent products, create a highly integrated product portfolio, and establish an integrated production-sales-research platform, with a view to gradually transform from a traditional water pump manufacturer into a provider of intelligent pump and pumping system solutions. Staying committed to the 3R principles — Reachable, Reliable, and Renewable — we have become a leading pump and pumping system provider with extensive industry coverage, capable of meeting diverse customer needs. Our products have been exported to more than 160 countries and regions worldwide. We focus on intelligent control and efficiency to ensure that our products are reliable, low-carbon and environmentally friendly. We continue to expand our business scope by venturing into integrated water technology areas such as water quality improvement and energy conservation in circulating water systems. Our products have been used in various internationally influential projects, including the water supply for the Qatar World Cup, the South-to-North Water Diversion Engineering Project (南水北調工程), and the Beijing Winter Olympics. According to Frost & Sullivan, the pump and pumping system industry is highly fragmented and competitive, and we ranked as the third largest pump and pumping system provider in China by revenue in 2025.

Our digital marketing business and our pump and pumping system business operate independently, and generally do not share any common infrastructure, technology platforms, R&D capabilities, or customer base. We intend to continue developing these two business segments in parallel following the [REDACTED].

In addition, we have gradually extended and incubated our business based on our core operations, strengthening our core competitiveness in motors and controllers, two key components for pump and pumping systems. We were among the first to enter the motor sector that drives pump operation, leveraging our advanced permanent magnet motor technology to lay the foundation for the energy-saving and low-carbon transformation of pump and pumping system products, thereby building an advantage in supply chain integration. We invested in and established Liongate Semiconductor as a majority shareholder, which has achieved scalable commercial operations and generated revenue of RMB7.8 million, RMB24.4 million and RMB43.1 million all from sales to external customers in 2023, 2024 and 2025, respectively, with a product portfolio that primarily comprises a wide range of industrial-grade insulated gate bipolar transistors (IGBT) products as well as high-end silicon carbide (SiC) power module products. Liongate Semiconductor is capable of addressing the technical bottlenecks of core power semiconductors in controllers, by (i) enhancing system efficiency through creative chip design and packaging technologies; (ii) supporting high-temperature operations and extending system life through better thermal management; (iii) improving electromagnetic compatibility

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and reducing electromagnetic interference; and (iv) providing systematic solutions from chips. We purchased products manufactured with Liongate Semiconductor’s products from such external customers for our pump and pumping system business during the Track Record Period.

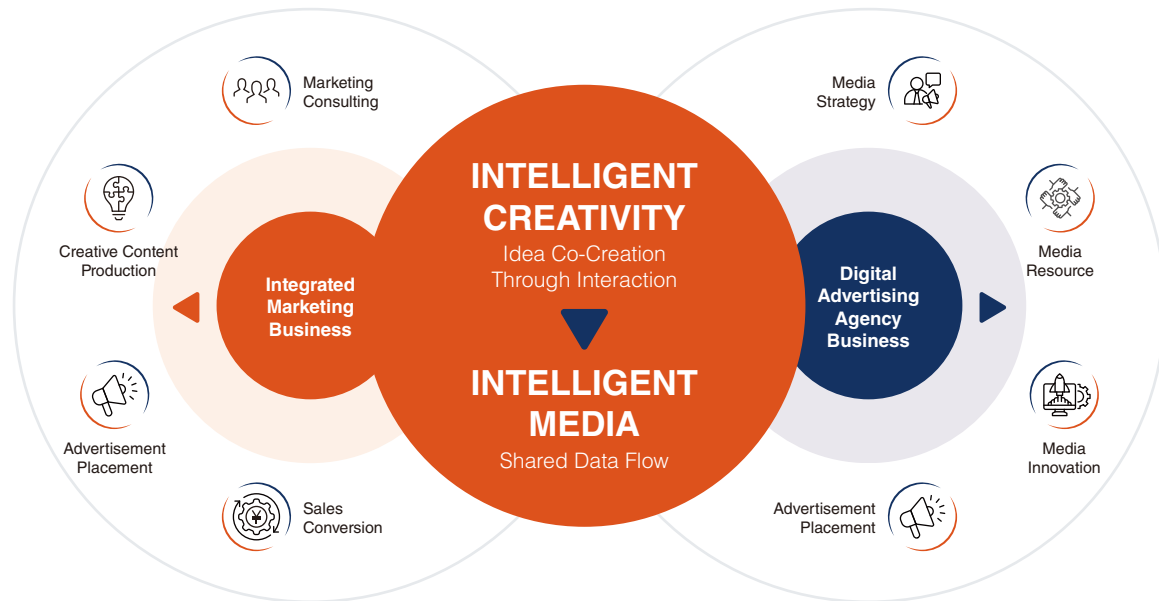
In 2023, 2024 and 2025, our total revenue amounted to RMB20,471.4 million, RMB21,170.5 million and RMB20,050.4 million, respectively.

Digital Marketing Business

Since embarking on our digital marketing business in 2014, we have followed a development trajectory from industrial acquisition and consolidation to productivity innovation, and the digital marketing business has now grown into our most promising business segment. Starting in 2022, with the rapid proliferation of AI applications, we entered a new phase of growth with AI technologies as the core driver. As an industry leader, we launched a proprietary AIGC ecosystem platform LEO AIAD, and continuously developed an AI agent framework and tool library with end-to-end coverage, and full-link AI marketing system driven by AI agents, significantly improving human efficiency and optimizing advertising performance. In 2025, we were among the first in China to launch the programmatic advertising tool (being a full-process internet advertising delivery model based on automated systems and data interfaces, using data-driven and algorithmic decision-making to achieve intelligent trading, precise targeting, and dynamic optimization of advertising resources) in the advertising industry that fully supports the Model Context Protocol (MCP), which enables large language models and AI agents to seamlessly integrate with existing advertising software tools, accelerating the AI transformation of the programmatic advertising market. We also actively promote the standardization of AI applications in the industry, and have taken a leading role in establishing and compiling the industry guidelines for both the China Advertising Association and the China Communications Standards Association.

Our current digital marketing business adopts an end-to-end model integrating “Branding-Effect-Sales (品-效-銷),” that is, from branding and marketing consulting services, to advertising placement to realize broadcasting effects and eventually sales of products and services of our customers, connecting all aspects of the marketing ecosystem. We manage our digital marketing services under two segments due to their different revenue models, being (i) integrated marketing services, which consists of one-stop, full-spectrum digital marketing services, primarily including marketing consulting services, creative content production, and advertisement placement, so as to help our customers realize sales conversion. We charge fixed service fees for marketing consulting services and creative content production, and service fees as a percentage of gross spending on media platforms for advertisement placement; and (ii) digital advertising agency services, which is primarily advertisement placing, namely purchasing advertising resources from media platforms and placing advertisements to promote our customers’ products and services to their target audience; we may also provide ancillary consulting and content creation services integrated into our digital advertising agency services, but we charge our customers service fees as a percentage of gross spending on media platforms in these cases. For integrated marketing services, our customers primarily include well-recognized domestic and international enterprises in automotive, maternal and child care and healthcare sectors. For digital advertising agency services, we have built end-to-end service capabilities for our major customer groups — media platforms, game publishers and internet service platforms.

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During the Track Record Period, the business scale of our digital marketing segment remained generally stable, recording revenue of RMB16,513.8 million, RMB16,434.7 million and RMB15,605.1 million in 2023, 2024 and 2025, respectively. We have been ranked first among digital marketing companies by the Internet Weekly (《互聯網週刊》) of Chinese Academy of Sciences for consecutive years and were awarded the honorary title of “Leading Company in Digital Advertising (數字廣告領軍企業)” in Shanghai’s advertising industry by the Shanghai Advertising Association.

Pump and Pumping System Business

As the cornerstone of our Group’s business, the pump and pumping system business underpins the long-term and stable growth of our Group. Our founding team boasts 30 years of industry experience, and started entrepreneurship with civil pumps. With strategic foresight, the team was able to accurately target European consumers in the early stages and to obtain European quality certification, establishing itself as a pioneer in the market.

We have accelerated the expansion of our product lines and application industries through organic growth and external mergers and acquisitions, forming a product matrix covering the seven sectors of construction, hydraulic engineering, industry and supporting facilities, energy and power, petrochemical, municipal infrastructure as well as agriculture. Based on our solid foundation in traditional applications, we have tapped into new fields such as data center, wind power and energy storage, further expanding our application scope in the high-end fields.

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We have five modern manufacturing bases in Wenling, Zhejiang Province, Xiangtan, Hunan Province, Dalian, Liaoning Province, Indonesia and Hungary. By virtue of our high-quality product and sound management system, we have built a brand reputation with international recognition and established a global sales network. We sell our products through direct sales, Original Design Manufacturer (ODM)/Original Equipment Manufacturer (OEM) and distribution. As of December 31, 2025, we had established deep partnership with over 380 distributors, continuously providing customers with comprehensive services of high quality and efficiency. We continue to promote the coordinated development in both domestic and international markets with brand footprint spreading to more than 160 countries and regions. Our major customers include world-renowned equipment brands, and domestic leading infrastructure-related central and state-owned enterprises, establishing strong competitive barriers for us with respect to customer resources.

Moreover, we have expanded beyond our core businesses, and conducted R&D and innovation in motors, the “power heart” of pumps, and controllers, the “control center” of motors, enabling the efficient and energy-saving transformation of the motors and the precise and intelligent regulation of the controllers, improving our product portfolio and developing the ability to provide comprehensive intelligent pump and pumping system solutions. By applying advanced technologies to permanent magnet motors, we achieve lower energy loss and faster response speed, so as to meet the market demand for energy-saving, compact and intelligent pump products. We have independently developed intelligent variable frequency drive and control system products, which automatically regulate equipment performance based on operating conditions to meet the intelligent operation needs in different scenarios. For example, household circulation pumps automatically adjust rotational speed according to room temperature, and data center cooling pumps regulate circulation volume in real time according to load changes. Leveraging our expertise in water applications and our continuous R&D in core technologies, we have further tapped into integrated water technology fields such as water quality enhancement and energy conservation in circulating water systems.

In addition, we have adhered to a technology-driven approach. As an intelligent pump manufacturing factory, our base in Wenling, Zhejiang Province, has been included in the List of Excellent Intelligent Factories in 2025 (2025年度卓越級智能工廠名單) by the MIIT, marking a transition from traditional manufacturing to a new stage of intelligent manufacturing. We were among the early-movers to complete the construction of a 5G fully connected demonstration workshop, enabling real-time data collection and stable video stream transmission, which has been fully rolled out across the Leo Wenling base. Building on this 5G-enabled factory, we have applied AI big model technology to establish a fault model library based on AI algorithms, enabling us to achieve autonomous fault warning, diagnosis, decision-making, execution and optimization, as well as

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predictive maintenance to reduce equipment downtime. Furthermore, we have integrated data channels across all production factors, and conduct real-time, in-depth analysis and remote visualized management of equipment data by building a digital twin platform to generate multi-dimensional operational indicators, providing accurate data support for production scheduling and strategic decision-making.

During the Track Record Period, our revenue from pump and pumping system business was RMB3,483.2 million, RMB4,234.0 million and RMB4,141.3 million in 2023, 2024 and 2025, respectively. By virtue of our technological innovation and industry expertise, we have received numerous prestigious honors. LEO Group has been listed among the top 500 manufacturing enterprises in China, demonstrating its strong comprehensive strength. In recognition of our outstanding contributions in the field of smart water conservancy, we were awarded the AAA Smart Water Conservancy Enterprise Certification (智慧水利AAA級企業認證). In terms of technological innovation, we have received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎). Our technology center is the first national-level enterprise technology center in the industry and has been approved to establish a national-level postdoctoral research workstation, continuously driving our development through technological innovation.

Our Market Opportunities

With digital marketing as our core business, the deep empowerment of AI technology has unlocked growth potential for us by converting existing traffic into new incremental value.

- China’s digital marketing industry continues to expand while maintaining steady growth. As the market transitions from traditional marketing to digital and AI-powered marketing, internet advertising has become a key channel for companies to reach customers and build brand awareness. According to Frost & Sullivan, the market size of China’s digital marketing industry is expected to increase from RMB1,347.1 billion in 2025 to RMB1,858.6 billion in 2030, with an estimated CAGR of 6.6% from 2025 to 2030, maintaining a strong growth momentum. Leading companies in the digital marketing industry, represented by us, have completed the planning of the end-to-end digital marketing, covering high-quality media resources and customer base, thereby establishing a clear advantages scale-wise.
- The development of AI marketing technology has driven the establishment of AI-powered digital marketing tool platforms. With the acceleration of digitalization, the industry demand for advertising and marketing is undergoing a dual upgrade toward “personalized content” and “large-scale deployment.” AI-powered marketing technology have been adopted more broadly across the industry. According to Frost & Sullivan, the market value of China’s AI-integrated marketing market had grown from RMB26.7 billion in 2021 to RMB62.5 billion in 2025 at a CAGR of 23.7%. From 2025 to 2030, the market value is projected to reach RMB149.8 billion at a CAGR of 19.1%. We are among the first digital marketing enterprises in China to deploy AI technologies. Through forward-looking strategic planning of AI and extensive industry experience, we have developed a complete full-link AI marketing system driven by AI agents, which has improved human efficiency through the deep empowerment of AI technology, and enable us to expand market share and maintain our leading position in the digital marketing revolution.

In parallel, our pump and pumping system serves as our cornerstone segment. Under the background of general market expansion, green and low-carbon transformation of traditional industries, and emergence of new application scenarios, we will seize new growth opportunities in both existing and emerging markets.

- Pumps, as key equipment for fluid transmission in the fields of industry, agriculture, architecture and municipal infrastructure, and energy supply, are taking on an overall trend of steady growth in terms of market size. According to Frost & Sullivan, the market size of the global pump industry was RMB588.0 billion in 2025 and is expected to continuously grow at a CAGR of 3.0% and reach RMB680.4 billion in 2030. The Asia-Pacific region will

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dominate the global market, with its market size expected to increase from RMB299.4 billion in 2025 to RMB356.0 billion in 2030, representing a CAGR of 3.5%. As China’s Belt and Road Initiative advances, China has been actively participating in the construction of energy infrastructure and traditional energy upgrades, municipal infrastructure and water conservancy projects, and industrial manufacturing and supporting industrial parks in related countries, presenting significant growth opportunities for the pump companies in China. As a leading pump and pumping system company in China and one of the earliest Chinese enterprises to establish an overseas presence in this sector, we are seizing opportunities presented by the Belt and Road Initiative. Our products are already deployed in multiple countries along the route, with breakthroughs achieved in emerging markets, and actively capitalized on policy-derived opportunities.

- Under the strategic framework of green and low-carbon transformation in traditional industries, the advancement of the “dual carbon” targets and policies such as the “Trade-in” Program have created new growth opportunities for the pump and pumping system industry, which is centered around pumps, driving the direction of product development towards high efficiency, energy conservation and environmental protection. Taking the petrochemical sector as an example, driven by national policies, demand for renovation of existing petrochemical pumps continues to expand. National and local governments are encouraging energy-saving renovations of pump equipment in the petrochemical sector through financial support, subsidies and incentives, and regulatory guidance, which will accelerate the phase-out of inefficient and energy-intensive products and promote the widespread adoption of high-efficiency, energy-saving technologies such as permanent magnet motors and variable frequency control. Leveraging our technological strengths, our products can also be applied to residue oil hydrogenation projects, achieving domestic substitution.
- We are well positioned to capture the market growth in new application scenarios. (i) The explosive growth of AI continues to drive the evolution of the data center industry, with surging computing power requirements creating unprecedented demand for energy. According to Frost & Sullivan, China’s data center liquid cooling market is expected to grow from RMB98.6 billion to RMB380.3 billion from 2025 to 2030 at a CAGR of over 31.0%, and the market size of the liquid cooling pump segment is expected to increase from RMB7.9 billion to RMB27.0 billion at a CAGR of 27.7%. As the core equipment in data center infrastructure, the quality of liquid cooling pumps is crucial to the safety and stability of data centers. We have launched products such as the liquid cooling centrifugal pumps and the innovative canned motor pump, offering features such as high efficiency, maintenance-free operation, and high-temperature adaptability. We also provide integrated cooling services through our intelligent operation and maintenance platform. (ii) The drinking water safety industry is benefiting from a dual engine of policy support and rising consumer demand, enabling us to quickly capture the market opportunities in water purification systems.

OUR STRENGTHS

Strengths in Digital Marketing Segment: We have Developed Robust Competitive Barriers Across Platforms, Technologies and Customers Powered by Our End-to-End Ecosystem Driven by AI

Our digital marketing business has built a unique advantage of broad media coverage and long-term partnerships with leading clients through years of industry expertise and a strong reputation among clients

Extensive industry experience and leading market position

Leveraging over a decade of operational expertise in digital marketing, we have not only accumulated a massive matrix of high-quality media resources and a vast customer base, but have established a great reputation within the industry. With our professional capabilities, we have won

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numerous prestigious awards in advertising and marketing, and have been deeply involved in the development and drafting of various group standards. According to Frost & Sullivan, we were ranked first in China’s digital marketing market and second digital advertising agency market in 2025.

Comprehensive media resources covering core channels

We possess comprehensive resources across major media platforms in China, with the access to traffic in all domains including information feeds, search engines, mobile terminal, video platforms and portals, enabling customers to publish content in one click across platforms. We have been recognized as a key advertising agency by a number of leading domestic media platforms benefiting from our historical spending on the media platforms and our quality service. In Baidu’s advertising scenarios, AI has participated large-scale operation for search advertisements and information feed advertisements. We also serve as a top agency for the advertising platforms of five major domestic mobile phone manufacturers.

Proprietary AI technology empowering customized services

We have developed proprietary technologies including our AIGC system computing resource allocation methods and systems, artificial intelligence resource allocation and other AI technologies, for which we have applied for patent registrations. We have obtained four patents regarding programmatic advertising. Leveraging our technologies, we have formed our full-link AI marketing system, through which we can accurately capture customer needs and provide customers with customized solutions. This highly adaptive service model not only enhances customer reliance on our offerings but also significantly enhances customer stickiness.

Establishment of a positive ecosystem to drive scalable growth

The stable traffic and high-quality conversions generated by these highly engaged customers have further strengthened our partnerships with leading media platforms, reinforcing our solid position within the media ecosystem. We have established core advantages in vertical sectors such as internet services and automotive, covering key customers across these sectors. At the same time, we have accumulated extensive and diverse experience across end-to-end digital marketing business scenarios, laying a foundation for us to leverage AI technology to truly solve practical business problems. As a result, we have successfully built a mutually beneficial “synergistic co-growth” model with media, forming an ecosystem of positive tripartite cycle of “Customer-LEO-Media,” injecting continuous power into the sustained and scalable growth of the digital marketing segment.

We have fully empowered key marketing nodes with AI technology to provide core support for business growth through our extensive client base and media resources, backed by our robust AI infrastructure foundation through solid technological capabilities

Building on strong technological capabilities, we have developed a comprehensive AI infrastructure stack that underpins our digital marketing AI agents. This foundation integrates a wide array of advanced AI technologies and large-scale parallel data processing capabilities. We focus on three key dimensions — the computing power infrastructure layer, the models and algorithms layer, and the data layer. We have successfully established a closed-loop system of digital marketing technologies. This framework effectively unlocks new potential for business growth and innovation. Leveraging our years of operational experience in the industry and accumulated expertise in AI product technology, we have deeply embedded ourselves into business scenarios, and developed over one hundred AI agent tools and workflows targeting key marketing nodes, forming two functional AI agent groups, namely advertising AI agent and creative AI agent, which have been integrated into an AI work platform for Leo’s employees in the digital marketing segment, enabling digital marketing across the entire process. Empowered by AI agents and by establishing an efficient model, we can address the key pain points of the traditional digital marketing industry, such as insufficient production capacity and low conversion efficiency, thereby significantly improving human efficiency and digital marketing precision, and ultimately supporting customers to maximize marketing conversion while effectively controlling costs.

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- **Advertising scenarios:** We make extensive use of core technologies such as real-time bidding, large-scale parallel data processing, distributed file storage, and machine learning algorithms to enable programmatic advertising in various scenarios. In addition, we focus on automating the execution of advertisement delivery, with capabilities that include intelligent keyword expansion, strategic optimization, batch creation and management of advertisement, advertising account administration, real-time pricing adjustments, and AI-backed performance monitoring and optimization. Our “Pangu Engine” has been connected to the advertising platforms of the most popular internet media and, during the marketing peak in 2024, optimized the performance of information feed advertisements from 1.75 million impressions per person to approximately 2.95 million impressions per person. AI Advertiser focuses on cross-account operation scenarios and has achieved efficiency improvement by approximately 15 times compared to human advertisers who need to frequently modify budgets. In campaign creation scenarios, AI Advertiser can improve human efficiency by 6 to 30 times, significantly reducing processing time.
- **Creative content production scenarios:** Our AI creative factory is a generative creative system with multiple self-developed AI agents working in collaboration, covering the entire workflow from inspiration collection to content generation and automated review. Unlike traditional conversational AI applications, our AI creative factory is designed to build customized creative production pipelines and mass-produce deliverable assets with a well-balanced approach to diversity and controllability. By leveraging techniques such as base model selection, specialized low-rank model tuning, fine-grained parameter control, workflow orchestration, and prompt engineering, we tailor outputs to meet specific advertiser requirements. This significantly reduces manual post-processing costs while ensuring scalable, high-quality idea generation. In actual applications, we have achieved image generation for single-image assets in minutes, tripling our daily creative production capacity. During the 618 Shopping Festival in 2025, we produced and delivered images based on customized customer needs, with peak hourly processing capacity exceeding 25,000 images — 150 times the average daily manual processing capacity. In addition, during the automated review process, our AI agents can effectively identify violations such as “improper use of visual elements” that are difficult to detect with traditional technologies. By integrating such review capabilities in the early stages of the creative workflow, we can not only improve the review pass rate of creative materials but also meet the review needs of the finance industry and other high-standard industries, thereby expanding the application scope.

Strengths in our Pump and Pumping System Segment: We Have Established a Comprehensive Product Matrix and System Solutions, Supported by a Comprehensive Product Development Framework and Core Technologies, Leveraging Our over 30 Years of Industry Experience and Continuous R&D Innovation. Our Long-term Accumulation Has Laid the Foundation for Global Operations and Built Competitive Advantages in Intelligentization, Integralization and Platformization

We continuously invest in technology and innovation to build a comprehensive product development system and strengthen our core technologies, contributing to our comprehensive product portfolio that meets the evolving needs of our customers

Our main product types include civil pumps and industrial pumps, with a wide range of application scenarios, covering construction, hydraulic engineering, industry and supportive facilities, energy and power, petrochemical, municipal infrastructure, as well as agriculture.

- **Civil Pumps:** Our civil pumps are designed to provide comprehensive water solutions for households, small-scale agricultural operations, and larger public and commercial facilities. According to Frost & Sullivan, we were the fifth largest global civil pump and pumping

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system company measured by revenue generated globally in 2025 and have provided water supply services for various major events such as the Beijing Winter Olympics and the Qatar World Cup.

- **Industrial Pumps:** Our industrial pumps have successfully broken the long-standing monopoly of foreign players in high-end industrial pumps in various areas: key technologies for large reversible counter-rotating axial flow pump units have reached internationally advanced standards; our advanced technologies in petrochemical pump products have made us a Class I supplier to CNPC and other leading petrochemical enterprises; and our water conservancy pumps have won the industry’s highest award, the China Water Conservancy Quality Project Dayu Award (中國水利工程優質(大禹)獎).

Industry leaders are transforming from traditional pump suppliers to comprehensive fluid transmission system solution providers. We have developed a variety of intelligent pump and pumping system solutions, such as:

- **Pump Health Monitoring System:** Comprising a complete hardware package, a health operation and maintenance platform and AI algorithms, this system monitors the operating status of pump units to enable intelligent diagnosis, fault prediction and operational optimization, thereby improving pump system reliability and achieving comprehensive cost reduction. It has been widely applied in industries such as hydraulic engineering, power, municipal infrastructure and petrochemical.
- **Intelligent Liquid Cooling System Solutions:** Covering all application scenarios on the primary and secondary sides of data centers, the solutions integrate single-pump products, integrated pump rooms, supporting services, hardware and software, and a smart operation and maintenance system. This comprehensive approach enables data centers to achieve their goals in energy efficiency, consumption reduction and green development objectives.

Our core product technologies include:

- **Intelligent Control Technology:** We have completed the independent development of IGBT and built a complete industry chain for the electronic control of intelligent pumps. Through our proprietary intelligent regulation and variable frequency drive integrated control technology, by integrating with a permanent magnet synchronous motor platform and under the support of intelligent algorithms, our related products exceed the IE55 energy efficiency standard as defined in IEC60034-30-1.
- **High-Efficiency, Energy-Saving Water Pump Technology:** With the integration of advanced optimization algorithms and multidisciplinary simulation technologies, we have achieved breakthroughs in the comprehensive performance of pumps and systems. Based on parametric design and neural networks, and under the support of intelligent algorithms, we have optimized the impeller and volute structures, and improved hydraulic efficiency through fluid dynamics analysis. Furthermore, we analyze strength and service life through finite element analysis, leverage acoustic simulation to suppress vibration and noise, and optimize heat dissipation through fluid-thermal coupling, thereby achieving the integrated performance of high efficiency, high reliability, low noise, and excellent heat dissipation.
- **Sealing Structure Technology:** Our fully enclosed, seal-free design creates a zero-leakage canned structure, completely eliminates the leakage risk associated with traditional pumps with mechanical seals, significantly enhancing product reliability.

Leveraging our comprehensive product development system and core technologies, our pumps and systems have now incorporated intelligent functions such as real-time remote monitoring, automatic fault diagnosis, predictive maintenance, and adaptive operational adjustments, significantly improving system reliability and operational efficiency.

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As of December 31, 2025, we had 608 valid authorized patents, including 103 invention patents, two international patents, and 35 software copyrights, and presided over the formulation or participated in the drafting of 83 national and industry standards in total.

Our global operation advantages accumulated over the years: we have built multi-layered global operation capabilities characterized by deep regional penetration and localized operation, creating a strong competitive moat for our international presence

We were one of China’s globalized pioneers to focus on overseas pump and pumping system markets. We have established a globalized and full-industry layout with the integration of production, sales and research, providing customers with standardized and customized pump products and pumping system solutions, and have built a strong brand recognition and reputation worldwide.

We are a leading pump and pumping system company in China with global operation advantages, and pioneered in establishing overseas presence with a dominant leading position

According to Frost & Sullivan:

- we were the third largest pump and pumping system provider in China and the thirteenth globally in terms of the revenue in 2025
- we were the largest pump and pumping system provider in China in terms of the export sales in 2025
- we were the fifth largest pump and pumping system provider globally in terms of the revenue from civil pumps in 2025

Our world-leading manufacturing capabilities

- **Global Production Network:** We have developed a manufacturing system covering multiple domestic and international regions, with five manufacturing bases in Wenling, Zhejiang Province, Xiangtan, Hunan Province, Dalian, Liaoning Province, Hungary and Indonesia.
- **Digitalized and Intelligentized Manufacturing System:** As an intelligent pump manufacturing factory with 5G-AI and digital twin technologies, our base in Wenling, Zhejiang Province has achieved equipment interconnection, and integrated 5G, AI, and industrial big data technologies to enable full data interconnection across production factors, earning the inclusion in the List of Excellent Intelligent Factories in 2025 (2025年度卓越級智能工廠項目) by the MIIT.
- **Precision Manufacturing Process:** We have controlled the impeller machining accuracy at the micron level, and achieved a zero-defect product rate with our precision casting technology; and we have replaced traditional welding with laser welding to increase joint strength by 40%, and applied 3D printing technology for rapid prototyping and validation of complex components.
- **Excellent Quality Control:** We have established a three-tiered quality control mechanism consisting of “full raw material inspection upon arrival — monitoring on production process — comprehensive performance testing of finished products,” and received ISO9001 certification and CNAS laboratory accreditation. Leveraging a high-precision testing system at our Asia-leading advanced pump testing center, we have received the “Class 1 Precision” certification from the National Industrial Pump Quality Supervision and Inspection Center (國家工業泵質量監督檢驗中心).
- **Green Manufacturing and Sustainable Development:** Our factory has been approved as a national green factory, with energy consumption per unit of output leading the industry. Our intelligent manufacturing practices combined with the R&D of energy-saving products have resulted in an annual carbon reduction of over 12,000 tons. We have also led the formulation of multiple green manufacturing standards for the pump industry.

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We have established a global sales network with full channel coverage, and further built localized teams in key regional markets worldwide to reach a wide range of customers

As of December 31, 2025, we had established domestic and international marketing centers with over 780 employees, providing timely, localized sales, marketing, and services globally. Our products are exported to over 160 countries and regions worldwide, and we have established deep partnerships with over 380 distributors.

We have long-term cooperation with various types of major online e-commerce platforms, and have established presence in platforms such as Amazon North America (亞馬遜北美), JD.com (京東), Taobao (淘寶), Pinduoduo (拼多多), and Alibaba International Station (阿里國際站). During the Track Record Period, we were ranked among the top on the Amazon North American platform under multiple product categories in terms of sales volume for a long time.

Based on years of experience accumulated in the European and North American markets, we have also replicated our successful market development experience in other countries and regions.

An Experienced Management Team and a High-Caliber Talent Pipeline

Our senior management team adheres to the core strategic positioning of “taking the global operations of digital marketing business and pump and pumping system business as dual drivers,” with rich industry experience in the fields of pump and pumping system and digital marketing, and a deep understanding of our business development and strategy.

- Mr. Wang Xiangrong, our founder, chairman and general manager, has long been deeply engaged in the pump industry with consistent adherence to a technology-driven development approach, and is one of the few experts in China with over 30 years of experience in the pump industry, both domestically and internationally, with profound insights into market development. With his unique foresight, Mr. Wang has actively promoted the business transformation of the Company, and expanded its business coverage to digital marketing, successfully unlocking the Company’s second growth curve.
- Mr. Zheng Xiaodong, vice president of LEO Group, joined our Company in 2014 with over 20 years of experience in the digital marketing industry. By virtue of his exceptional professionalism and industry influence, he has been selected as the Vice President of the China Business Advertising Association (中國商務廣告協會), and has served as chairperson or final judge for numerous international and domestic marketing awards, including the Tiger Roar Awards (虎嘯獎) and the ROI Festival (金投賞), demonstrating his authoritative influence and leadership in the industry. He has led the Company to achieve the scale development and intelligent transformation of the digital segment and become a leading digital marketing company in China.
- Mr. Yan Tufu, vice president of LEO Group, joined our Company in 2001 and is responsible for the Group’s pump and pumping system business, with nearly 30 years of industry experience. Mr. Yan focuses on the market development and product R&D of the pump and pumping system business, and concurrently serves as, among others, the executive director of the Chinese Society for Agricultural Machinery (中國農業機械協會) and a member of the 7th National Pump Standardization Technical Committee (SAC/TC211) (第七屆全國泵浦標準化技術委員會), laying a foundation for the technological development of the Company.

We have built a high-quality and professional business team, with most members bringing years of experience in relevant fields. Their deep industry expertise enables them to keenly identify emerging technological trends and innovative applications, ensuring that we stay at the forefront of market developments. In our pumps and pumping system segment, we have assembled a high-level R&D team comprising 441 dedicated personnel focused on product development as of December 31, 2025. Led by senior technical experts, the team has established a collaborative system for pump and pumping system design and application. In our digital marketing segment, our R&D team members are all professionals who were among the first to be devoted to AI development and algorithm research in China, with over

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10 years of work experience on average. With rich experience and technical strength accumulated over years, the team is not only at the forefront of the industry in terms of the advancement and stability of technological architecture, but also one of the leading teams in terms of innovative development, and has become a vital force in promoting the technological development and application implementation in the industry.

OUR STRATEGIES

Strategy for Digital Marketing Business: Reshaping the Entire Marketing Chain with AI Agents, Building an Open and Mutually Beneficial Marketing Ecosystem Platform, and Pioneering a New Paradigm of Marketing Intelligentization Worldwide

Advancing the implementation of AI agents and upgrade of their R&D to fully achieve the AI-enabled transformation of digital marketing business

We will continue to promote the development of interaction protocols between AI models and application tools, represented by the MCP, and remain committed to driving the evolution of internet advertising technology standards toward AI- and agent-friendly directions. Our focus will be on addressing challenges in applying MCP within advertising tools, including authentication, access control and authorization issues between AI agents and human employees. At the same time, we will optimize its technical support for large-scale, high-concurrency and low-latency scenarios, further improving the AI interaction environment for internet advertising software.

By 2026, we plan to deeply integrate advanced technologies, represented by AI agents, across all digital marketing business units, significantly enhancing employees’ AI application capabilities and realizing seamless data interoperability and business collaboration across units and between humans and agents. This integration will cover the entire value chain of “demand insights, idea generation, advertisement delivery, performance optimization and customer service response.” To achieve such objective, we plan to establish a R&D center in China and deepen the strategic cooperation with foundational model providers. We will also collaborate with the China Advertising Association and the China Communications Standards Association to promote the formulation of group standards based on the MCP. We expect that after the full implementation of AI agents, per capita efficiency and response speed will increase significantly, and operating profit margins will continue to grow.

Continuously building a global digital marketing ecosystem and promoting the transformation of business from an agency model to a technology-driven platform model

We plan to create an open, intelligent and mutually beneficial digital marketing ecosystem, and attract high-quality developers, advertisers, media platforms and technology providers through unequivocal profit-sharing rules, transparent data insights and efficient collaboration process, to build a closed-loop ecosystem that mutually benefit all parties, and create value for global customers. Specifically, we will promote the widespread application of RaaS business model, in the Chinese and global markets.

RaaS (Result-as-a-Service) represents a new model that we plan to pilot concurrently in China and international markets. By deploying a human workforce of 100,000 or above collaborating with AI online, we aim to achieve fully shared and open AI agents, with an aim to provide advertisers and small and medium-sized advertising service providers with an unprecedented low-barrier, lightweight service experience. Its successful validation will add a new dimension to our ecosystem.

We will drive the prosperity of the entire digital marketing ecosystem through AI agents, promote the widespread application of AaaS (AI-agents-as-a-service) across global industries, and facilitate the industry’s transition from multi-faceted AI collaboration to AI-driven strategy and execution. To this end, we plan to establish the first technological and operational “bridgehead” for our overseas expansion, build overseas computing centers, and strengthen our overseas AI infrastructure to support overseas business development. We will also build a team full of international talents, and focus on recruiting talents in the fields of natural language processing, computer vision, multimodal and AI agent technologies, while strengthening our intelligent computing operation and maintenance and optimization

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teams to build up core technological capabilities for the future. By deeply integrating the open platform ecosystem with AI-driven capabilities, we will break through the traditional boundaries of digital marketing, forge new growth drivers, significantly improve labor productivity, and achieve a structural improvement in profitability and a strategic leap in global competitiveness.

Strategy for Pump and Pumping System Business: Empowering the Full Lifecycle of Intelligent Pumps and Systems with AI to Establish a Global Industry Benchmark

Accelerating the smart-to-intelligent transformation of our pump and pumping system segment

We are advancing the intelligentization, integralization and platformization of our pump and pumping system technologies, and expediting the transition from “smart” to “intelligent” solutions to make us a forerunner in the industry. Leveraging permanent magnet motor technology, we are achieving new breakthroughs in energy efficiency, while enriching our product portfolio such as liquid-cooled shielded pumps and specialized pumps for thermal management. At the same time, we are strategically moving into core pump controllers, accelerating the development of intelligent pumps that directly address the market’s ever-growing demand for controllability and intelligence of equipment. By embedding AI and self-learning algorithms, our pumps gain real-time optimization and predictive maintenance capabilities, significantly improving operational efficiency and reliability. Through intelligent electromechanical integration, we are also building modular, intelligent fluid systems that can flexibly meet the diverse and customized needs of diverse scenarios.

Beyond product innovation, we are expanding our intelligent service ecosystem. We are actively advancing the application of AI technologies in areas such as intelligent operation and maintenance, pre-sales recommendations, after-sales services, demand forecasting, intelligent scheduling for production and inventory optimization, covering the full lifecycle of pump and pumping systems. Through this end-to-end approach, we seek to lead the industry’s transformation from “experience-driven” to “data- and intelligence-driven.”

Continuously deepening and expanding global presence by targeting domestic structural opportunities

In the domestic market, we will target mid to high-end structural opportunities to strengthen our regional penetration. We will further build an elite system combining direct sales and distribution, deeply target mid- to high-end structural opportunities, and achieve high product delivery timeliness and stability through the agile transformation of supply chain. We are strategically expanding into high-growth and high-potential fields such as data center, water purification, pumped hydro energy storage and nuclear power, aiming to accelerate our strategic transformation from an equipment supplier to a smart fluid solutions provider. We will focus on core economic regions where pump equipment is strongly demanded, and strengthen our channel network and sales team in key markets.

We will strengthen our global presence and local penetration for the pump and pumping system segment. With coverage over 160 countries and regions worldwide, we are transitioning from “export-oriented operation” to “global operation”. Going forward, leveraging our existing strengths, we will focus on expanding into overseas markets with strong demand for civil and industrial pumps while consolidating our existing market presence to enhance market penetration. We plan to establish regional service centers according to local conditions and build local service networks to enhance our agile service capabilities, while prioritizing the in-depth collaboration with overseas partners with advantageous local resources to jointly explore global markets.

We will accelerate our process of globalization through industry mergers and acquisitions. We are exploring opportunities for overseas acquisitions. By establishing regional manufacturing centers overseas, we will strengthen the resilience of our global supply chain to better navigate the complex and volatile international environment, and expand the influence of our pump and pumping system brands.

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Strategy for Core Business Extension: Cultivating our Strength in Emerging Semiconductor Industries, Leveraging Advanced Technologies to Support Pump and Pumping System, Seeking AI-Backed Innovation, Expanding New Growth Frontiers, and Fully Achieving Sustainable Development Objective

We will continue to strengthen our independent R&D of core technologies such as permanent magnet motors and intelligent electronic controls, integrated pump bodies, permanent magnet motors, intelligent controllers including variable frequency drives and sensors, etc., and software systems. Meanwhile, leveraging an AI-backed digital platform and incorporating AI control algorithms, we conduct real-time monitoring, processing, and in-depth analysis of data collected by pump system, which enables the adaptive adjustment of water system curves, self-diagnosis of faults, and self-optimization of performance, thereby laying the software-wise foundation for creating comprehensive pump and pumping system solutions, and comprehensively promoting the upgrade and transformation of the traditional pump industry from a single “products” model to a “products + services + solutions” model.

We will continue to strengthen technology integration and collaborative innovation, expand the strategic investment in the semiconductor industry. This approach aims to enhance technological barriers, improve supply chain resilience, and accelerate the localization of high-end power devices. In terms of production capacity, we are accelerating the expansion of Liongate Semiconductor’s manufacturing base in Wenling, Zhejiang by deploying multiple fully automated production lines to create a digital intelligent factory, thereby providing support for large-scale delivery in the future. In terms of market expansion, with our “power module + AI digital” platform at the core, we will extend our pump and pumping system solutions to more high-end scenarios, tap into high-growth markets by virtue of our differentiated technological advantages, and provide system-level solutions and full lifecycle services to foster a diversified growth path. Furthermore, with power semiconductors as our efficient core and AI technology as our intelligent brain, we will continue to focus on energy conservation, carbon reduction, high-end fluid applications, and green industry integration, driving green and low-carbon transformation while supporting the industry in achieving sustainable development goals.

OUR DIGITAL MARKETING BUSINESS

We are a leading digital marketing services provider in China. We are committed to developing a full-link AI marketing system powered by AI agents, covering the entire digital marketing workflow, including demand insights, idea generation, advertisement delivery, performance optimization, and customer service. According to Frost & Sullivan, in terms of revenue generated in the PRC in 2025, we ranked first among digital marketing companies in the PRC.

We manage our digital marketing services under two segments due to their different revenue models, being (i) integrated marketing services, which is a one-stop, full-spectrum digital marketing service primarily including marketing consulting services, creative content production, and advertisement placement, so as to help our customers realize sales conversion. We charge fixed service fees for marketing consulting services and creative content production, and service fees as a percentage of gross spending on media platforms for digital advertising agency services; and (ii) digital advertising agency services, which is primarily advertisement placement, namely purchasing advertising resources from media platforms and placing advertisements to promote our customers’ products and services to their target audience; we may also provide ancillary consulting and content creation services integrated into our digital advertising agency services, but we charge our customers service fees as a percentage of gross spending on media platforms in these cases. Media platforms have been key, both as our customers and suppliers, for our digital marketing business. For details of our relationship with media platforms, please see “Business — Our Digital Marketing Business — Our Relationship with Media Platforms”.

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Our Integrated Marketing Services

Under our integrated marketing services, we provide a full spectrum of services to our customers, primarily including well-recognized domestic and international enterprises in automotive, maternal and child care and healthcare sectors. Our services primarily comprise marketing consulting services, creative content production, and advertisement placement.

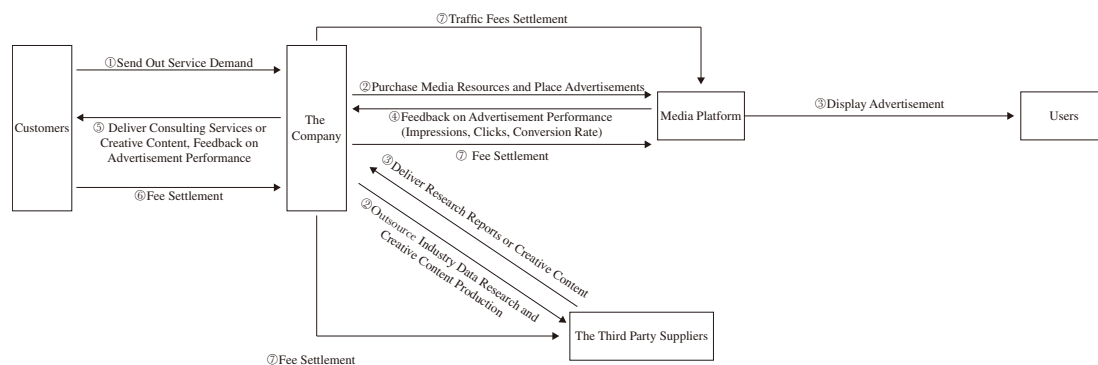
We provide marketing consulting services by leveraging our market insights and brand diagnostics to formulate strategic positioning, conduct competitive analysis and devise communication strategy planning for our customers. We may engage third-party vendors to provide up-to-date market data for further analysis. We assist our customers in establishing differentiated brand value systems, facilitating long-term enhancement and sustainable growth of their brand value.

Based on the core propositions of the brands and the characteristics of the advertising platforms, we help our customers create marketing content. With our proprietary AI intelligent tools, we efficiently generate multi-format materials, which enhance brand recall and foster emotional resonance with target audiences.

Where our customers intend to place advertisements on media platforms, we help customers to select premium media resources which can precisely match our customers with their target audiences. By optimizing delivery frequency and scenarios, we ensure that brand messages effectively reach core consumer groups. As a digital advertising agency, we optimize user conversion paths by means of performance monitoring and closed-loop data analysis. By implementing strategies such as e-commerce traffic diversion and private domain operations, we transform brand exposure into measurable sales growth, achieving a synergistic effect between brand development and key performance indicators.

Under our integrated marketing services, we typically prepare and deliver brand strategy proposals, creative materials (such as television commercials and print advertisements), integrated campaign plans, media schedules and post-campaign performance reports, and we act as advertising agent for our customers to place advertisements on selective media platforms, all tailored to the customers’ brand positioning and marketing objectives.

The flowchart below sets forth the workflow, transaction, fund and information flows and key responsibilities and liabilities of each party in our integrated marketing services:



Our Digital Advertising Agency Services

Under our digital advertising agency services, we generally purchase advertising resources from media platforms to promote our customers’ products and services to their target audience. We may also provide ancillary consulting and content creation services integrated into our digital advertising agency services. Our customers, which are primarily engaged in the businesses of media, gaming and internet services applications, seek our targeted and scalable marketing solutions.

We typically enter into framework agreements with leading media platforms stipulating estimated annual gross spending to secure advertising resources. When placing advertisements, we execute programmatic precision delivery through intelligent systems, such as Pangu Engine (盤古引擎).

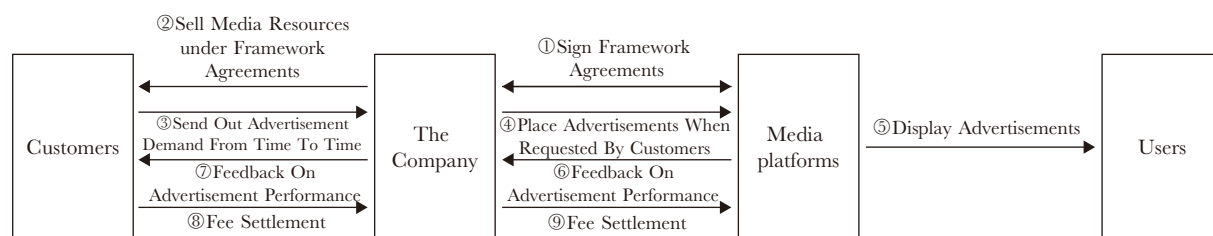
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connected to Baidu, Titan Engine (泰坦引擎) connected to ByteDance and Fangzhou Engine (方舟引擎) connected to Kuaishou, conduct real-time monitoring and dynamically optimize performance, thereby ensuring that advertisements efficiently reach intended audiences. We integrate premium advertising resources from leading media and vertical platforms, which enables our customers’ delivery achieve broad coverage of targeted audiences at competitive cost-performance ratios.

In addition to advertisement placement, we formulate systematic communication plans for our customers by scientifically selecting media mixes, allocating budgets and schedules, and applying audience targeting technologies to maximize advertising effectiveness. We may also provide customized creative idea based on platform characteristics, leverage innovative approaches to enhance communication value, and utilize our proprietary AI tools to generate creative materials such as short videos and graphics in scale, effectively reaching targeted audiences.

Under our digital advertising agency services, we prepare and deliver media strategy proposals, innovative media resource plans, customized media execution schedules, and advertising performance analyses, all tailored to the client’s customer conversion objectives and audience engagement goals. Our approach emphasizes data-driven planning, creative media innovation, and efficient media delivery to maximize return on advertising spend. We receive rebates from media platforms and return a portion to our clients, with the remaining amount constituting our service fee.

The flowchart below sets forth the workflow, transaction, fund and information flows and key responsibilities and liabilities of each party in our digital advertising agency services:



Revenue and Cost Recognition

In the case of our marketing consulting services and creative content production, which falls under our integrated marketing services sub-segment, fixed fees are charged in accordance with the relevant engagements which we enter into with our customers to produce certain deliverables (such as websites, online creative advertisements and other materials). Revenue is recognized when our customers have confirmed that we have completed the relevant production work, or when the relevant production results have gone live. The related costs are recorded at the same time.

We provide advertisement placement services both under our integrated marketing services sub-segment and digital advertising agency services sub-segment. In such cases, after undertaking a business engagement with a customer, we typically enter into placement agreements with a media platform which we have selected in accordance with our customer’s advertising needs and requirements. The media platform then displays the advertisements in accordance with the media schedule which is confirmed with our customer. Thereafter, we collect the relevant feedback and placement data of the advertisements, which is reconciled with the customer on a monthly basis. Revenue is recognized upon this reconciliation and is based on the actual advertising spend consumed by the customer on the media platform. Any rebates from the media platform are accrued and deducted from our costs of sales.

Our Relationship with Media Platforms

Media platforms have been our key customers and suppliers for our digital marketing business. When they are our suppliers, we purchase user traffic and deliver advertising content for our customers on media platforms, pay media cost as consideration and receive rebates determined based on various factors, including our gross spending on the relevant platforms, the quality of our advertisements and client base, and the respective KPI policies of the media platforms, and are typically offset against our

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trade payables as a reduction of our cost of sales. As a result, the rebate has a direct impact on our cost structure and gross profit margin. Media platforms provide core advertising resources and traffic, while we act as an agency to purchase media resources and sell to advertisers, i.e. our customers. Conversely, when the media platforms act as our customers, we deliver our digital marketing services to them who demand user traffic from other media platforms. According to Frost & Sullivan, such business models are prevalent in the digital marketing industry. Our results of operations are affected by our relationships with media platforms.

We typically enter into framework agreements with media platforms to purchase media resources, under which we place purchase orders at times after we receive service request from our customers. Salient terms of our frame agreements with media platforms primarily include:

Service arrangement	The media platform provides media resources for advertising placement to us
Pricing	Calculated based on the actual consumption of media resources
Settlement	Prepaid basis or on credit facility
Term	Typically one year
Rebate	Subject to confirmation by both parties and typically determined based on various factors, including our gross spending on the relevant platforms, the quality of our advertisements and client base, and the respective KPI policies of the media platforms

We typically enter into framework agreements with media platforms to sell our digital marketing services, and the media platforms place orders when needed. Salient terms of such framework agreements primarily include:

Service arrangement	We provide advertising-related services, including creative communication and media placement
Pricing	We charge service fees as a percentage of gross spending on media platforms
Settlement	The Company initiates the settlement request through the media platform’s distribution system. Upon the media platform issues a settlement statement that both parties confirm, the Company submits a valid VAT invoice
Term	Typically one year

Key Financial Metrics

By service type

We charge our customers service fees as a percentage of gross spending on media platforms for advertisement placement services under our digital marketing agency sub-segment, while we generate two types of revenue for our integrated marketing services: (i) fixed service fees for marketing consulting services and creative content production; and (ii) service fees as a percentage of gross spending on media platforms for advertisement placement services. Please see “— Our Digital Marketing Business — Revenue and Cost Recognition” for details. Due to the different pricing model,

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the scale of absolute amount and gross profit margin of these two types of service fees vary significantly. The following tables set forth breakdowns of our revenue, gross profit and gross profit margin by service type categorized by pricing model:

Revenue by service type

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Digital advertising agency revenue	16,139,263	15,976,476	15,233,616
— under digital advertising agency sub-segment	14,169,231	13,478,416	12,123,363
— under integrated marketing sub-segment	1,970,032	2,498,060	3,110,253
Integrated marketing revenue — under integrated marketing sub-segment	374,539	458,200	371,450
Total	16,513,802	16,434,676	15,605,066

Gross profit and gross profit margin by service type

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in thousands, except for percentage)</i>					
Digital advertising agency gross profit (under digital advertising agency sub-segment and integrated marketing sub-segment)	641,718	4.0%	610,104	3.8%	587,761	3.9%
Integrated marketing gross profit (under integrated marketing sub-segment)	148,860	39.7%	180,344	39.4%	123,439	33.2%
Total	790,578	4.8%	790,448	4.8%	711,200	4.6%

Revenue from our digital marketing business remained stable between 2023 and 2024, but decreased in 2025, primarily attributable to intensifying market competition and cost control measures by major clients, which restricted our revenue scale. Our gross profit remained stable between 2023 and 2024, but decreased in 2025, primarily attributable to a decrease in both our digital advertising agency and integrated marketing revenue. Our gross profit margin also fell in 2025, primarily attributable to industry-wide adjustments to rebate policies by major advertising platforms.

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By geographic location

The following tables set forth breakdowns of our revenue, gross profit and gross profit margin by geographic location during the Track Record Period:

Revenue by geographical location

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
PRC	16,513,802	16,201,009	15,324,308
Overseas	—	233,667	280,758
	16,513,802	16,434,676	15,605,066

Gross profit and gross profit margin by geographical location

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB in thousands, except for percentage)</i>					
PRC	790,578	4.8%	784,006	4.8%	698,832	4.6%
Overseas	—	—	6,442	2.8%	12,368	4.4%
	790,578	4.8%	790,448	4.8%	711,200	4.6%

Revenue generated from the PRC decreased over the Track Record Period, primarily attributable to intensified market competition and cost control measures by major clients. We began generating overseas revenue in 2024, which increased in 2025 as demand for our services from our overseas customers grew. Gross profit from our PRC customers remained stable between 2023 and 2024, but decreased in 2025 due to increased competition within the local industry.

By downstream industry of customers

The following tables set forth a breakdowns of our revenue, gross profit and gross profit margin by downstream industry of customers during the Track Record Period:

Revenue by downstream industry of customers

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Gaming	6,078,064	3,693,543	4,742,967
Internet media and tools ⁽¹⁾	4,089,621	5,087,947	4,483,259
E-commerce	2,940,008	2,483,928	2,217,347
Automotive	2,160,252	3,378,000	2,771,132
Fast Moving Consumer Goods	282,234	521,944	586,509
Education	326,895	478,986	177,652
Others	659,926	901,029	626,201
	16,513,802	16,434,676	15,605,066

Note:

(1) Primarily consists of media platforms and Internet service platforms.

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Revenue in respect of our gaming industry customers was particularly low in 2024, primarily because we adopted a more prudent approach in engaging with such customers following the trade receivables impairment loss recognized in the previous year. Revenue in respect of our e-commerce customers decreased over the Track Record Period, primarily attributable to a decrease in delivery volume for a major customer due to its change in advertisement strategy. Revenue in respect of our customers in other downstream industries generally fluctuated over the Track Record Period in accordance with changes in customer demand.

Gross profit and gross profit margin by downstream industry of customers

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
(RMB in thousands, except for percentages)						
Gaming	79,623	1.3%	38,782	1.1%	62,167	1.3%
Internet media and tools	175,854	4.3%	188,254	3.7%	199,193	4.4%
E-commerce	125,341	4.3%	80,410	3.2%	92,242	4.2%
Automotive	132,961	6.2%	236,080	7.0%	90,062	3.3%
Fast Moving Consumer Goods	70,558	25.0%	67,853	13.0%	117,302	20.0%
Education	12,487	3.8%	15,800	3.3%	5,774	3.3%
Others	193,754	30.4%	163,269	20.7%	144,461	23.1%
	790,578	4.8%	790,448	4.8%	711,200	4.6%

The gross profit margin for our customers in the fast moving consumer goods industry decreased between 2023 and 2024, primarily because we undertook a higher proportion of low-margin projects in order to expand our revenue scale. The gross profit margin for our automotive industry customers decreased in 2025, primarily attributable to intensified pricing competition in the industry and the increased bargaining power of new energy vehicle customers, as well as the loss of certain high-margin projects.

Key Operating Metrics

Number of projects

	2023	2024	2025
Integrated marketing services	1,782	1,857	2,200
Digital advertising agency services	6,076	6,894	7,318
Total	7,858	8,751	9,518

Number of customers

	2023	2024	2025
Integrated marketing services	258	261	280
Digital advertising agency services	2,837	2,893	2,981
Total	3,095	3,154	3,261

Customer retention rate⁽¹⁾

	2023	2024	2025
Integrated marketing services	57%	56%	67%
Digital advertising agency services	25%	34%	42%

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Note:

- (1) Customer retention rate represents the percentage of our customers from one year who make purchases for our services in the following year.

Our Proprietary AIGC Ecosystem Platform — LEO AIAD

We have developed LEO AIAD, an AIGC ecosystem platform, based on the characteristics of the China advertising and artificial intelligence market and our own business needs. It includes five layers: infrastructure layer, model layer, data layer, development tool layer, and application tool layer. We implement a model of “human-led strategy and AI-powered execution”, that is, human professionals focus on high-level decision-making such as strategic insights, creative ideation, and brand positioning, while AI agents handle repetitive and high-intensity tasks including data cleansing, large-scale advertising account management, advertising performance tracking, and real-time optimization. Additionally, AI agents dynamically optimize workflows by learning from human feedback.

(1) Infrastructure Layer

The core of the infrastructure layer are core hardware facilities for AI computing power and data storage. We deploy AI computing power and storage hardware by leasing Internet Data Centers (IDCs) and procuring servers within the IDCs; in addition, we further supplement our computing power and storage resources through public cloud leasing. In terms of computing power, LEO AIAD’s technology stack extensively adopts globally leading AI and massively parallel data processing technologies. Meanwhile, to address the potential instability of domestic AI computing power supply, we have independently developed a computing power scheduling console, which can flexibly allocate and manage the demand for geographically dispersed and heterogeneous computing resources in different scenarios. In terms of storage, we offer a variety of storage solutions, including MinIO, a distributed high-concurrency storage solution designed for AI applications; IPFS, a large-scale distributed file system for tracking and protecting data asset rights; and NAS, a simple storage solution designed to reduce storage costs for small teams and improve collaboration efficiency.

Currently, we are actively promoting the expansion and upgrading of our infrastructure, and are continuously enhancing our infrastructure support capabilities by establishing strategic partnerships with major domestic digital infrastructure providers.

(2) Model Layer

The model layer is the intelligent core of the LEO AIAD. We actively collaborate with developers of domestic and international open-source and closed-source large models, deploy large language models, image generation models and large multimodal understanding models and develop our own solutions based on such models. In the field of large language models, we have implemented private deployment of domestic open-source models such as MiniMax M2.7 and DeepSeek-V3, and the Group accesses the open-source model Qwen 3.6 and DeepSeek-V4-flash through Alibaba Cloud APIs, as well as the commercial model Doubao through Volcengine APIs, based on which we develop and optimize vertical small models and applications suitable for various advertising copywriting scenarios through supervised fine-tuning and low-rank adaptation training, making the copy output more aligned with marketing needs. In the field of large image generation models with the expertise of our in-house designer team at the core, we have implemented private deployment of international open-source models such as Stable Diffusion and Flux, accessed domestic open-source model Qwen-Image and Wan through Alibaba Cloud APIs, and utilized the commercial model Doubao through Volcengine APIs, based on which we customize and develop image solutions with unique styles that precisely meet requirements. Leveraging multimodal understanding models, we explore efficient solutions for creative production of short advertising videos and other video content creation. Before utilizing these models, we verify the license agreements of those open-source foundation models, typically published alongside those models, to ensure there are no restrictions on commercial use. With respect to the Doubao model, we review the relevant license and product agreements and pay the corresponding subscription fees for its use. Additionally, we have independently developed a unified scheduling and management tool for multiple models, significantly improving model usage efficiency and cost control.

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We leverage a combination of proprietary and externally sourced algorithms and models to support our technological infrastructure and service offerings. We had two self-developed algorithms which facilitate our advertising creative image generation as of the Latest Practicable Date, which have been filed with Cyberspace Administration of China. As of the Latest Practicable Date, we also deployed one externally sourced generative AI application algorithm for our advertising creative image generation.

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in all material aspects relating to the filing of AI large models and algorithms, the labeling of AI-generated content, and the security assessment of AI and algorithms. There are no material non-compliance issues that would prevent us from carrying on our business as a result of any breach of the foregoing legal or regulatory requirements.

(3) Data Layer

The data layer is LEO AIAD’s database, with data generated from our own operations, data provided by advertisers, and data from media. We connect the data accumulated from years of industry expertise to logically isolated AI model knowledge bases with advertiser authorization, for model inference, fine-tuning, and low-level training; while simultaneously upgrading the MCP service authorization for internal database access. This data encompasses not only key information across the entire digital marketing chain — such as massive advertising transactions, delivery, and optimization logs based on our industry experience that models can directly call upon — but also creative materials including images and short videos developed by our creative team for various industry sectors — such materials can be embedded into models to provide precise reference for advertisers’ creative production. Furthermore, the creative output and optimization feedback from human designers provide rich nourishment for AI agents, effectively driving their rapid iteration.

(4) Development Tool Layer

The development tools layer serves as an “accelerator” and building tool for our LEO AIAD development framework. We integrate advanced technologies in model reasoning and applications through open-source AI agent development tools, augmented knowledge retrieval tools, and workflow orchestration tools. We have independently developed AI agents and workflows to meet customers’ personalized advertising business needs quickly and cost-effectively.

(5) Application Tools Layer

The application tools layer represents the ultimate value of the LEO AIAD development framework and is also the central hub of our core intellectual property. The application tools layer includes an internal integrated AI platform and external commercial applications.

Regarding the internal AI integrated platform, it integrates numerous self-developed intelligent agents and workflows, and collaborates with multiple partners to access a series of efficient AI application tools, forming an AI tool ecosystem covering multiple scenarios and becoming an indispensable intelligent auxiliary toolkit for employees’ daily work. As of the end of 2025, it mainly comprises two parts: AI Creative Factory and AI Advertising Caster.

In terms of external commercial applications, it provides core resources and services for the intelligent transformation of our various programmatic advertising trading tools, mainly including: the “Pangu” programmatic advertising tool for two leading “big tech” companies, which is currently undergoing a comprehensive transformation of the programmatic creation, trading and delivery process of search ads and feed ads based on LEO AIAD; and the “Titan” programmatic advertising tool for the marketing and cloud computing unit of a leading technology company, which is undergoing partial transformation based on LEO AIAD, and has launched the “LEO Aggregator Short Video Script Expert” tool to the market through cooperation.

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Applications and Functions

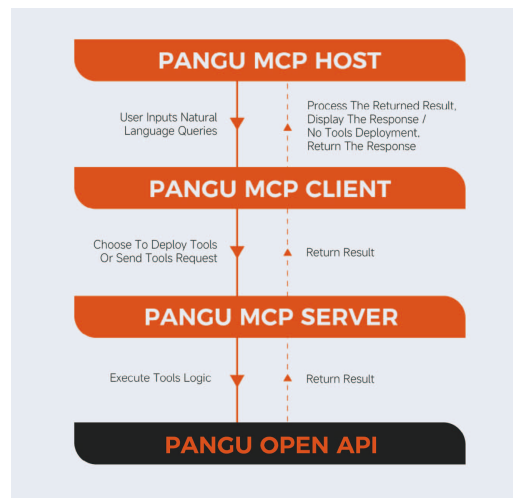
Delivering AI Agent: AI Advertising Platform

Pangu Engine — Pangu Optimization Assistant

Given the large number of advertisers served by agencies, a substantial number of promotion accounts are established and operated on a daily basis. Managing these accounts individually through the default single-account mode provided by Baidu marketing platform is resource-intensive and costly. Therefore, we launched our first MCP application, *Pangu Engine — Pangu Optimization Assistant* (盤古引擎-盤古優化助手), which addresses this challenge by providing a unified account management platform, enabling efficient oversight and operational optimization across multiple accounts.

Pangu Engine — Pangu Optimization Assistant is an optimization platform designed for personnel of internet advertising agencies, built on the Baidu marketing advertising platform including *Baidu information feed* (百度信息流), *Haokan Video* (好看視頻), *Tieba* (貼吧), *Baidu Novels* (百度小說), and *BaiQingteng* (百青藤). It provides functionalities such as account authorization management, organizational structure management, cross-account optimization, and automated rule-based tasks, enabling a new mode of humanAI collaboration in programmatic advertising. Under the planning and orchestration of our AI agents, it can understand human intentions and instructions, autonomously select the appropriate tools to achieve specified objectives, and optimize campaign execution. This further reduces the operational burden on our campaign managers and helps improve the efficiency of our programmatic advertising workflows. Technically, it can be divided into three parts, namely *Pangu MCP Server*, *Pangu MCP Host* and *Pangu MCP Client*.

The following is the illustrative chart of our *Pangu MCP* application.



Pangu MCP Server: Our MCP Server deeply integrates our proprietary programmatic advertising trading platform, the *Pangu Engine*, adapting its information feed advertising capabilities to the MCP. This allows our AI agents to act as intermediaries in campaign execution and advertising delivery.

Pangu MCP Client: Our MCP Client enables flexible integration with our existing tools and data layer, providing a customized advertising workflow that supports and safeguards AI-assisted programmatic advertising operations.

Pangu MCP Host: Our MCP Host is dedicated to our campaign managers and provides a one-stop solution covering the entire advertising workflow, including campaign optimization, creative generation, and data insights.

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We believe that *Pangu Engine — Pangu Optimization Assistant* enhances our ability to provide scalable, efficient and intelligent programmatic advertising solutions. By integrating advanced AI capabilities with a unified account management platform and end-to-end campaign workflow support, we are able to streamline operational processes, reduce manual workload for our campaign managers, and improve overall advertising performance. We will continue to optimize and expand *Pangu Engine — Pangu Optimization Assistant* ecosystem to support the evolving needs of our customers and further strengthen our competitive position in the digital advertising market.

AI Advertiser

Our AI Advertiser is a proprietary core tool with a focus on enhancing the efficiency, precision, and security of search marketing operations. It supports the growth of our advertising business and enables a robust and scalable campaign management framework.

The tool supports the full advertising workflow, enabling our operations teams to manage campaigns efficiently and effectively: (i) through batch account authorization, it streamlines the coordination of multiple promotion accounts and allows standardized campaign structures to be quickly established, thereby shortening business launch cycles; (ii) the batch optimization module further enhances operational efficiency by enabling core campaign elements, such as ad group bids, keywords, and creative assets, to be configured and adjusted in bulk across multiple accounts, reducing repetitive manual tasks; (iii) to ensure data security, the system incorporates dedicated backup mechanisms that preserve complete interface data and maintain campaign stability, even during critical periods such as major promotional events; (iv) in addition, data insights module are automatically collected and updated in real time, with intelligent reporting providing timely feedback on campaign performance and supporting precise strategy optimization.

Creative AI Agents: AI Creative Factory

End-to-End Text & Image Creative AI Agent

Our end-to-end text & image creative AI Agent is designed to autonomously generate delivery-ready advertising image creatives, addressing the growing demand for personalized and precise marketing content in internet advertising.

Compared with common AI tools, which typically produce elemental content such as individual characters or scenes and require designers to combine multiple tools and perform additional manual processing to create delivery-ready advertising creatives, our end-to-end text & image creative agent allows designers to simply input creative requirements and receive complete, deployment-ready creatives without manual intervention. By leveraging model selection, workflow orchestration, and contextual engineering, we have established a fully AI-driven creative production line, substantially reducing the need for human post-processing and transforming AI from a “creative toy” into a productivity tool.

Our end-to-end text & image creative AI agent currently operates three production lines: e-commerce advertising creatives, social media advertising creatives, and feeds advertising creatives. These lines can serve customers across multiple industries, including e-commerce, automotive, on-line services, education, FMCG, and financial services. Each creative image can be generated within one minute on average, significantly improving production efficiency while maintaining creative quality.

Creative Review AI Agent

Our creative review AI agent is designed to autonomously conduct advertising creative reviews. Regulatory oversight in this sector is stringent and complex. In practice, reviewing documents with over tens of thousands of words is challenging even for experienced compliance professionals. Common automated review tools, which primarily rely on techniques including optical character recognition (i.e. the electronic or mechanical conversion of images of typed, handwritten or printed text into

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machine-encoded text) and keyword matching, are limited in their ability to process content requiring complex semantic understanding and logical reasoning, resulting in high manual workload, low efficiency, and an increased risk of errors.

We have developed an end-to-end review workflow integrating multiple AI models tailored for digital marketing scenarios. This includes our proprietary multimodal model, which can simultaneously recognize visual elements, text content, and brand logos, enabling deep contextual understanding of advertising materials. In addition, our reasoning model, which supports complex logical inference, is capable of identifying variant copy and ambiguous semantics, thereby enhancing the intelligence and accuracy of compliance reviews. We also leverage large language model technology to establish customer-specific compliance rule libraries, facilitating the practical application of AI in real-world projects.

Our creative review AI agent is built on fully domestically controlled models, ensuring both data security and regulatory compliance. Compared with conventional approaches, the combination of multi-model and reasoning capabilities enables the identification of compliance issues that traditional technologies may fail to detect, such as incorrect visual elements or vague risk warning statements.

The system operates under a human–AI collaborative model, in which the creative review AI agent conducts the initial review and human reviewers provide corrective feedback. The system dynamically learns from this feedback to continuously optimize review rules and workflows. For lengthy review documents containing extensive conditional logic and semantic nuances, we employ large language models to extract key compliance points and convert them into prompt-based rules, thereby reducing manual maintenance and improving responsiveness.

We also implement quantitative evaluation standards to monitor and enhance performance. Key metrics, including recall and accuracy rates, are measured using extensive annotated datasets, with testing segmented by customer, scenario, and violation type. These data-driven insights enable continuous refinement of the creative review AI agent, ensuring stable and efficient performance in actual business operations.

Case Studies in Digital Marketing Business

Case Study 1: Large-Scale Efficiency Enhancement Through AI

We have established an advanced AI creative factory by integrating our delivering AI agents with our expertise in e-commerce marketing, developing full-link digitalized production capabilities that cover the entire process from demand decomposition to delivery optimization.

Compared with traditional manual production, which typically generates only 300 to 400 images per day with inconsistent quality and frequent failure to meet specified requirements, our AI creative factory generates over 25,000 sets of high-quality advertising materials per hour, representing an above 150-fold increase in daily processing efficiency compared to conventional human-operated workflows. Moreover, leveraging our extensive data resources, the system can generate diverse images based on different base materials, enabling tailored outputs that closely align with specific customer requirements.

By leveraging a closed-loop system comprising a product knowledge base, intelligent creative generation, and delivery performance feedback, we enable our customers to significantly increase both the quantity of advertising materials per product and overall conversion performance. This upgrade from a traditional “one-size-fits-all (千品一面)” model to a “thousand variations for a single product (一品千面)” approach enhances advertising diversity and continuously refines the digital marketing experience through precise alignment with consumer needs.

Case Study 2: Brand Creative Solution

As the integrated marketing services provider for Chery Automobile, we have supported multiple brands under Chery umbrella including Chery, Fulwin, and Exeed, for several years. Our expertise spans brand strategy, product communication, creative production, and project management.

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Leveraging in-depth market analysis and user insights, we have helped Chery define clear brand positioning, establish core values, and map out its development roadmap — strengthening brand identity and revitalizing its image. We transform strategies into engaging creative concepts and oversee end-to-end creative execution across brand campaigns, video and print materials, and digital content, creating a consistent visual and narrative system that fosters deeper emotional connections with users.

Dedicated to preserving and enhancing Chery’s long-term brand value, we help track brand performance and marketing effectiveness. This enables us to continuously refine strategies and creative outputs, ensuring sustained growth in brand equity.

Case Study 3: Intelligent Advertising Production and Placement System

As the core technology partner for Roewe Automotive’s digital marketing, we have established an advanced and efficient social media advertising production line. By leveraging our AI technology and our automotive marketing expertise, we have built a full-link intelligent production system covering the entire process from demand decomposition to delivery optimization.

The project faced two primary challenges. First, common AI text-to-image technologies struggled to accurately reproduce specific vehicle models, particularly key features such as the front fascia, wheels, and body color, falling short of meeting client’s demand. Second, while AI performed well in generating illustrations, it showed inherent limitations in design execution, making it difficult to handle complex layouts or align visual styles with the distinct requirements of social media platforms.

Our system directly addresses these challenges, delivering exponential gains in the efficiency of complex parameter visualization. At the core lies a comprehensive data resource base, encompassing extensive image libraries for each vehicle model, detailed specifications, and ranking information. By integrating these assets into an intelligent workflow, the system employs multi-model scheduling to generate scenario-based visuals with enhanced realism — achieving more natural lighting and shadows, sharper accuracy in vehicle details, and stronger overall cohesion. This allows the AI not only to render complex copy into visual form but also to internalize design principles rather than merely output illustrations.

The system also supports diverse, social-media-optimized layout styles, from multi-vehicle comparisons and ranking lists to other trending formats. Built on a closed-loop framework that unites the data resource base, intelligent creative generation, and delivery performance feedback, our solution has enabled Roewe to multiply the diversity of advertising assets produced for each model, significantly boosting user engagement. By advancing from simple “single-display” outputs to sophisticated “multi-dimensional comparisons,” our intelligent advertising production system is driving both higher communication efficiency and stronger conversion on social platforms — further reinforcing Roewe’s reputation as a technology leader in the new energy vehicle market.

Case Study 4: Integration of Media Resources and Creative Idea Generation

We have served as the digital communication agency for Tsingtao Brewery for nearly two years, focusing on Generation Z consumers and adopting a data-driven approach to build a digital marketing chain of “precise reach — deep interaction — long-term conversion.”

Through precise reach, we identified that Generation Z consumers increasingly favor live offline experiences and seek emotional outlets for self-expression. To foster deep interaction, we developed integrated campaigns combining music, live events, and urban exploration, delivering vibrant experiences through music festivals and other live activations. These initiatives not only engaged audiences emotionally but also supported on-site sales. For long-term conversion, we implemented strategies to sustain engagement and cultivate brand loyalty, reinforcing Tsingtao Brewery’s presence in the digital landscape and consolidating its position as a leading nationwide brand.

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By targeting diverse consumption scenarios, including dining, sports, and music, we deliver comprehensive digital communication solutions. Leveraging media platform IPs, popular series, and traffic resources, we coordinate with channel terminals in core markets to support marketing initiatives, continuously enhancing Tsingtao Brewery’s brand communication effectiveness in the digital era and its leading influence nationwide leadership in the beer industry.

Our R&D in Digital Marketing Business

Our R&D process is organized as a five-stage system comprising demand identification, project design, project development, product testing and product operation, which is designed to ensure that our products are aligned with our strategic objectives, market demand and customer needs. Product requirements are collected by our product managers from multiple channels, including business feedback, market analysis, technology trends and industry insights, and consolidated into a centralized demand pool. These requirements are translated into user stories and functional features, prioritized through systematic planning and refined with prototypes, workflow analysis and cross-functional review. Development progresses in accordance with milestone-based planning, with regular reviews and controlled adjustments to safeguard quality. Prior to launch, products are subject to rigorous internal and user acceptance testing, following which we provide documentation, training and promotional support. Post-launch, customer feedback and usage data are systematically collected and incorporated back into the demand pool, forming a closed-loop mechanism for continuous product improvement. This structured process enables us to maintain efficiency, customer focus and innovation in our R&D activities.

Our R&D collaboration with academic institutions and industry organizations primarily focuses on the formulation and implementation of national and group standards. Since 2020, our Product R&D Center has collaborated with Shanghai University’s School of Journalism and Communication under the leadership of the Shanghai Advertising Association to participate in the Digital Advertising Standards Task Force. This collaboration has directly contributed to the development of multiple industry standards, which have been implemented to enhance data security and application in the digital marketing industry. We actively participate in industry standardization work through collaboration with various industry organizations. Our contributions include participation in the drafting the national standard *Interactive Advertising* (《互動廣告》) (GB/T 34090-2017) under the guidance of the State Administration for Market Regulation and the China Advertising Association. As a member of the Joint Working Group on Internet Advertising, we also engaged in the formulation of several group standards, such as the *Guide to Metadata Management for Internet Advertising AIGC Creative Materials* (《互聯網廣告基於生成式人工智能的創意素材元數據管理指南》) (T/CAAAD 014-2024; T/CCSA 589-2024), which represent one of the first AI-related advertising standards in advertising industry implemented in 2025. In addition, we have participated in standardization initiatives of the Shanghai Advertising Association, where we contributed to the development and promotion of the group standard *Digital Advertising* (《數字廣告》) (T/SFSF000001001-2021). Our active participation in the formulation and implementation of national and industry standards has not only enabled us to contribute to the establishment of regulatory frameworks for emerging technologies such as generative AI, but also enhanced our industry influence and strengthened our voice in shaping the development of the advertising sector.

Sales and Marketing

Our marketing activities in the digital marketing business focus on enhancing brand visibility, strengthening industry reputation and expanding our customer and partner network. To achieve these objectives and attract potential customers and partners, we actively engage in industry summits and competitions, organize client events, conduct public relations campaigns, and enhance our presence across leading industry media, authoritative institutions and social media platforms.

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OUR PUMP AND PUMPING SYSTEM BUSINESS

Our pump and pumping system business has been principally engaged in R&D, production, sales and service of civil and industrial pumps, ancillary facilities and other products. Our products are widely applied across seven key sectors, namely construction, hydraulic engineering, industrial and supporting facilities, energy and power, petrochemical, municipal infrastructure, and agriculture. According to Frost & Sullivan, we are the third largest pump and pumping system provider in China, in terms of revenue generated globally in 2025; and we are the largest PRC-based pump and pumping system exporter in China, in terms of market share measured by export value in 2025. Our pump and pumping system business, as the foundation of our Group, provides us with a stable and recurring source of cash flow as well as strong financial performance. With three decades of technological expertise and industry experience, we offer a wide range of products and solutions. Over the years, we have established a comprehensive product development framework and core technologies, creating long-term advantages for global expansion and building strong competitive barriers in intelligentization, integralization, and platformization.

Our Products Category

We classify products into four major categories, civil pumps, including domestic pumps and commercial pumps, industrial pumps, ancillary facilities, and other products. To meet the distinct demands of diverse application scenarios, we have developed a comprehensive range of products serving sectors including construction, hydraulic engineering, industrial and supporting facilities, energy and power, petrochemical, municipal infrastructure, and agriculture.

Civil Pump

Our civil pump products, including domestic pumps and commercial pumps, are designed of energy-saving, low-noise operation and smart features. Our civil pumps are primarily applied in scenarios such as household water boosting, high-rise water supply, underground water pumping, HVAC circulation, firefighting, irrigation, and drainage. According to Frost & Sullivan, we are the fifth largest pump and pumping system provider globally in terms of the revenue from civil pumps in 2025. Our civil pumps are featured with advanced permanent magnet technology and smart control, enabling efficient, energy-saving and quiet operation.

Industrial Pump

Our industrial pumps are deployed in critical industrial sectors, such as petrochemical, hydraulic engineering, power and electricity, as well as mining and metallurgy. As industrial pumps often operate under critical conditions such as high temperature, high pressure, corrosion resistance and stringent reliability, these products have high technological entry barriers among our product categories. Through independent R&D and strategic acquisitions, we have successfully broken the long-standing monopoly of certain foreign players in many high-end industrial pump segments. For example, our key technologies for large reversible counter-rotating axial flow pump units (大型可逆式對旋軸流泵機組關鍵技術) have reached internationally advanced levels.

Ancillary facilities

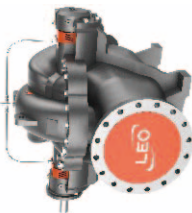
Our ancillary facilities comprise a range of auxiliary components that form a complete pump system, including pressure tanks, electromagnetic switches, flow meters, vibration sensors, and AI edge servers, among others. These components enable the enhancement functional performance and facilitate maintenance and replacement. Furthermore, the modular design allows users to customize and expand system functionality through the flexible integration of accessories tailored to specific application scenarios, providing personalized solutions and operational convenience.

Other Products

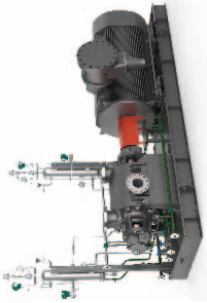
We also sell other products, primarily gardening machinery. Our gardening machinery is widely used in Europe and North America, catering maintenance needs across home gardening, public green spaces, and professional landscape. In addition to the traditional products, we have introduced lithium-powered options that balance cost efficiency with environmental sustainability and incorporate smart features to enhance overall performance and user experience.

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Our pump and pumping system products primarily comprise four major categories comprising civil pumps, including domestic pumps and commercial pumps, industrial pumps, ancillary facilities, and other products, serving seven major sectors including construction, hydraulic engineering, industrial and supporting facilities, energy and power, petrochemical, municipal infrastructure, and agriculture. The following diagram sets forth our major products.

No.	Product Name	Product Type	Application Scenario	Key Function and Features	Product Photo
1	Intelligent Permanent Magnet Booster Pump (智能永磁增压泵)	civil pump	residential buildings for household water supply.	Our smart permanent magnet booster pumps are equipped with a fourth-generation permanent canned magnet motor and our proprietary AI pressure-stabilization algorithm, enabling simultaneous water output from six faucets with stable and uninterrupted flow. They feature integrated hot-and-cold dual boosting, ten smart protections, including anti-freeze, leakage, and dry-run protection, and operate at noise levels as low as 41 dB, equivalent to library-level quietness.	
2	Intelligent Permanent Magnet End-Suction Pump (智能永磁端吸泵)	civil pump	municipal, building, water conservancy, power, and industrial support sectors, including HVAC systems, district energy, industrial production, and municipal water services.	Our smart permanent magnet end-suction pump incorporates our newly launched IES permanent magnet synchronous motor, with a controller that is perfectly matched to the motor. It features high efficiency and energy savings, smart precision control, variable frequency operation, stable performance, user-friendly human-machine interaction, multiple protection functions, and smooth soft-start/stop capabilities.	
3	Liquid Cooling Smart Canned Pump (液冷智能屏蔽泵)	civil pump	industrial liquid cooling sectors, including new energy and data centers.	Our liquid cooling smart canned pump adopts a zero-leakage structural design, eliminating traditional mechanical seals and thoroughly eradicating the risk of medium leakage. The pump utilizes permanent magnet technology in its motor, delivering ultra-high energy efficiency. Coupled with an optimized hydraulic design, the product achieves significant energy savings, with a MEI index ≥ 0.7 .	
4	Split-Case Pump (中開泵) .	industrial pump	municipal, water conservancy, power, industrial, and supporting sectors, including systems for mining and power generation, cooling circulation systems, municipal water supply and drainage, farmland irrigation and drainage, and various water conservancy projects.	Our split-case pumps feature a maximum rated flow of up to 46,000 m ³ /h, with energy efficiency standards benchmarked against GB19762. Our split-case pumps feature a simple structure, facilitating easy maintenance and reliable operation. Their cavitation allowance exceeds that of comparable products, and their performance has been validated through long-term stable operation by numerous users.	

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No.	Product Name	Product Type	Application Scenario	Key Function and Features	Product Photo
5	Pressure energy recovery turbines (能量回收液力透平)	industrial pump	Our pressure energy recovery turbines are widely applied in the petrochemical sector, including hydrocracking, residual oil hydrogenation, hydrotreating, and large-scale ammonia synthesis units, serving as energy-saving devices with long-term economic benefits.	Pressure energy recovery turbines are crucial for reducing energy consumption in industrial processes. They are installed where high-pressure liquids would traditionally be throttled, replacing or partially replacing conventional energy-consuming pressure-reducing devices, thereby converting valuable pressure energy into usable mechanical or electrical power. Our turbines offer significant energy savings, reduced carbon emissions, replacement of pressure-reducing valves, high return on investment, and improved overall system efficiency.	
6	Vibration Sensor (振動傳感器)	ancillary facility	Our vibration sensors are widely applied for vibration monitoring of critical pumps across water conservancy, power, and municipal sectors.	Our vibration sensors uses a two-wire 4–20 mA output that can be directly integrated into on-site DCS systems for alarm triggering or shutdown control.	
7	AI Edge Server (AI邊緣服務器)	ancillary facility	Our AI edge servers are widely applied in water conservancy, power, and petrochemical sectors for diagnostic analysis of critical pumps.	The AI edge server is an industrial-grade, lightweight edge server with built-in AI diagnostic algorithms. The server is standardly equipped a diagnostic analysis platform, capable of managing more than ten edge analysis modules simultaneously.	
8	Lithium-powered ride-on lawn mower (鋰電動乘式割草機)	Other product	Large lawn and golf course	Our ride-on lawn mowers are equipped with a proprietary 80V high-voltage lithium battery platform and supported by six high-performance battery packs. The product incorporates an efficient and precise Battery Management System (BMS) and a Power Distribution Unit (PDU) control system, providing dual intelligent protection that monitors power levels, voltage, and circuit safety in real time to ensure stable operation. Furthermore, the mower features a durable high-strength body structure and an innovative dual-blade deck design, significantly enhancing cutting efficiency and enabling smooth operation in complex lawn conditions.	

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Our Pump and Pumping System Solutions

Pump Unit Health Monitoring System (泵組健康檢測系統)

The pump unit health monitoring system consists of a complete hardware system, health operation and maintenance platform, and AI algorithms. By monitoring the operating status of water pump units, it achieves intelligent diagnosis, fault prediction, and operation optimization, improving the reliability of water pump systems while realizing comprehensive cost reduction. It has been widely applied in industries such as water conservancy, electric power, municipal infrastructure, and petrochemicals. By installing diagnostic sensors on pump units and applying our proprietary intelligent algorithms, the solution enables timely monitoring and early fault detection, thereby minimizing downtime and reducing operating costs.

Intelligent Liquid Cooling System Solution (智慧液冷系統解決方案)

The intelligent liquid cooling system solution integrates single pump products, integrated pump rooms, supporting services, hardware and software, and intelligent operation and maintenance systems, which has been widely adopted in data centers, energy storage thermal management equipment, cooling systems in the wind power industry and fluid cooling systems in the power industry. We are also actively expanding its application to a broader range of scenarios. This solution has the effects of energy saving, consumption reduction, and the attainment of green development objectives.

Set forth below are selected cases with our pump and pumping system solutions applied:



Intelligent Water Management Solution for the Qatar World Cup Accommodation Project (卡塔爾世界杯住房項目智慧用水解決方案)



Green Water Supply Intelligent Solution for the Beijing Winter Olympics (北京冬奧會綠色供水智慧解決方案)



South-to-North Water Diversion Engineering Project (南水北調工程項目)

Wind Power Cooling System Supporting Solution Project (風電冷卻系統配套解決方案項目)

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Our Global Footprint

Since our establishment, we have continuously expanded our global footprint, with key milestones in our global development summarized as follows:

2001	Since our establishment, we have entered the European Union market.
2008	We have commenced the global expansion of our self-owned brand business.
2012	We established a subsidiary in Hungary to further develop the European market.
2014	We established a subsidiary in Dubai to expand into the Middle East market.
2016	We established a joint venture in Thailand and a subsidiary in Indonesia to expand into Southeast Asia market; in the same year, overseas sales from our self-branded products exceeded RMB100 million.
2017	We established a subsidiary in Bangladesh to strengthen our presence in the South Asian market.
2021	We established a subsidiary in Malaysia to capture opportunities in the Southeast Asian construction market.

We have realized multi-dimensional globalization strengths:

Operation: We establish localized teams by setting up offices or subsidiaries in key regional markets staffed with local sales, technical support, and service personnel. We expand into strategic markets by establishing production and R&D facilities.

Production: To support our global operations, we have established localized manufacturing bases in major markets, enabling us to respond efficiently to local demand and reduce logistics costs.

Sales: As of December 31, 2025, we operate domestic and international marketing centers with more than 780 employees, providing localized sales, marketing, and services worldwide. Our products reach over 160 countries and areas through more than 380 distributor partners. We further extend our global reach through mainstream e-commerce platforms.

Key Financial Metrics

By major product category

Revenue by major product category

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Civil pumps	2,246,213	2,599,858	2,505,104
Industrial pumps	904,080	1,181,113	1,174,075
Ancillary facilities	240,785	257,994	266,316
Other products	92,104	195,082	195,760
	3,483,182	4,234,047	4,141,255

Fluctuations in revenue from our pump and pumping system business over the Track Record Period were generally driven by changes in customer demand for our products. Revenue in respect of civil pumps increased in 2024, primarily attributable to an increase in demand for such products from our European customers, while revenue in respect of industrial pumps increased in the same year due to increased demand from our PRC customers.

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Gross profit and gross profit margin by major product category

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB in thousands, except for percentage)</i>					
Civil pumps	697,549	31.1%	796,263	30.6%	724,352	28.9%
Industrial pumps	160,118	17.7%	229,012	19.4%	227,074	19.3%
Ancillary facilities	50,454	21.0%	47,470	18.4%	59,981	22.5%
Other products	14,215	15.4%	32,857	16.8%	30,650	15.7%
	922,336	26.5%	1,105,602	26.1%	1,042,057	25.2%

Our gross profit increased between 2023 and 2024, primarily attributable to a surge in demand for our industrial and civil pumps, which led to an increase in our revenue. Our gross profit subsequently decreased in 2025, primarily attributable to customers stocking up on large amounts of civil pumps in 2024, which led to less demand for such pumps in 2025 and lower revenue as a result. Our gross profit margin remained stable between 2023 and 2024, but decreased in 2025, primarily attributable to intensified domestic competition and an increase in our cost of sales due to the rising costs of key raw materials.

By geographic locations

Revenue by geographic locations

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Asia	2,303,997	2,739,014	2,683,371
Europe	516,241	643,273	643,794
Africa	235,944	310,194	333,978
Latin America	258,788	333,840	291,724
North America	117,471	171,369	144,395
Oceania	50,741	36,356	43,994
	3,483,182	4,234,047	4,141,255

Gross profit and gross profit margin by geographic locations

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB in thousands, except for percentage)</i>					
Asia	606,267	26.3%	649,535	23.7%	606,136	22.6%
Europe	123,643	24.0%	175,502	27.3%	191,076	29.7%
Africa	73,613	31.2%	110,833	35.7%	98,100	29.4%
Latin America	70,811	27.4%	106,580	31.9%	86,924	29.8%
North America	29,142	24.8%	46,063	26.9%	40,019	27.7%
Oceania	18,859	37.2%	17,089	47.0%	19,802	45.0%
	922,336	26.5%	1,105,602	26.1%	1,042,057	25.2%

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Fluctuations in revenue over the Track Record Period in respect of each geographical region were mainly driven by changes in customer and product mix in such regions, with Asia and Europe being our main regions of focus.

Key Operating Metrics

The table below presents the Company’s sales volume and average selling price by product for pump and pumping business during the Track Record Period.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(units ‘000)	(RMB)	(units ‘000)	(RMB)	(units ‘000)	(RMB)
Civil pumps	6,104	368	7,420	350	6,289	398
Industrial pumps	7	120,640	12	93,905	13	91,002
Ancillary facilities	9,523	25	2,338	110	4,070	65
Other products	101	909	255	764	154	1,277

During the Track Record Period, fluctuations in sales volume and average selling price were primarily affected by the size and specifications of our products sold.

Our R&D in Pump and Pumping System Business

We are dedicated to technological innovation, which is crucial in advancing our capabilities and delivering value to our customers, while also driving our sales and profitability. As of December 31, 2025, we had 441 R&D personnel dedicated for pump and pumping system business.

We actively pursue a dual-track R&D mechanism. Internally, our R&D department combines technological research with product development and application to continuously enhance product competitiveness. Externally, we strengthen collaborations with universities, academic institutions, and research organizations to advance technology development and industrial applications. We have established long-term partnerships with renowned universities. We primarily collaborated with nine leading universities, institutions and industry organizations to carry out 30 R&D projects related to the pump industry during the Track Record Period, with total collaboration-related expenses amounting to RMB12.8 million. In collaboration with these prestigious institutions, we explore the research and development of smart technologies for large-scale pump units and engineering pumps for water conservancy projects, and proactively address key technological and operational challenges in the pump industry.

Scope of collaboration	The agreements typically specify the research projects that the parties collaborate on and the expected timeframes for such projects
Relevant roles	The agreements typically specify that the research institute provides R&D personnel while the Company is responsible for the processing and installation of equipment and components required for the project
Compensation	We usually pay a fixed-fee to the relevant research institution for each project. Payment is typically made in installments according to agreed project milestones

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Deliverables and acceptance

The research institution is typically required to provide us with specified deliverables, including technical development results, test data, research findings and/or written results. We are entitled to review the deliverables against agreed acceptance criteria. If the submitted deliverables fail or acceptance criteria, we may require the research institution to revise, supplement or repeat part of their work within a specified period

Confidentiality

The research institution is required to maintain confidential any technical information, know-how, project data, business information and other non-public information provided by us

Intellectual property rights

Each party generally retains their pre-existing intellectual property rights, and newly developed intellectual property may be vested in one party or jointly owned by the parties

Term

Unless otherwise terminated, the agreements generally remain valid until the agreed work is completed and accepted

R&D System

Our R&D system consists of (i) expert committee (專家委員會), (ii) technology center office (技術中心辦公室), (iii) basic research department (基礎研究部門), (iv) simulation research department (仿真研究部門), (v) software technology department (軟件技術部門), (vi) civil and industrial pump technology department (民用及工業泵技術部門), and (vii) motor and control technology department (電機與控制技術部門). We have established a comprehensive R&D framework to drive innovation, enhance product competitiveness, and maintain our technological leadership across the pump and pumping system businesses.

The expert committee provides strategic support to the head of the R&D department, assists the head of the R&D department in setting our technological direction, leads key technology breakthroughs, supports product design, and participates in standards and academic activities to enhance our brand recognition. The technology center office is responsible for R&D governance, planning, and standardization, including drafting management systems, supervising project implementation, managing technical documentation and data, and leading R&D digitalization initiatives to ensure efficient and compliant operations. The remaining departments focus on specialized research and product development.

Through this integrated system, we combine strategic oversight, fundamental research, simulation, digital technology, and practical product development to ensure our R&D efforts consistently yield innovative, high-quality products and solutions that meet market demands and maintain our technological leadership.

R&D Process

Our R&D process is structured to ensure systematic, high-quality product development from concept to commercialization. We divide the lifecycle into four key phases: the initiation phase, where project objectives, feasibility, and resource requirements are defined; the design phase, during which detailed engineering, prototyping, and design validation are conducted; the testing and verification phase, encompassing rigorous performance evaluation, reliability testing, and optimization; and finally, the PPAP and handover phase, in which production readiness is confirmed, technical documentation is finalized, and knowledge is transferred to the production teams. This approach enables us to maintain efficiency, quality, and innovation across all our research and development activities.

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Product Development

We have established standardized, modular, and universal technology and product shelves, and successfully implemented the IPD system, achieving full-chain data connectivity from market needs to R&D design, product production, delivery, and service. This optimizes the entire product lifecycle management process, improves market responsiveness, optimizes resource allocation, and enhances R&D efficiency.

We focus on advanced technologies in pump and pumping system, leveraging our full-chain supply system, advanced testing system, and multi-physics simulation system. By utilizing AIGC technology to accelerate iterations of multiple design solutions and combining them with digital twin models, we achieve generalized application of core technologies and improvements in core metrics such as efficiency, energy consumption, and reliability across all product categories.

Key Technologies of Pump and Pumping System

Through years of dedicated R&D efforts, we have transformed our research outcomes into a portfolio of key technologies, enabling us to strengthen our market competitiveness. Our core technologies include:

Smart Control Technology (智能控制技术)

Traditional pumps are often characterized by low operating efficiency, limited functionality, and susceptibility to extreme operating conditions such as voltage fluctuation, dry running and blockage, which may result in shortened equipment lifespan and increased maintenance costs. Our smart control technology is designed to address the longstanding challenges in the pump industry, including high energy consumption, low reliability and insufficient control precision.

Our smart control technology has achieved self-developed insulated gate bipolar transistor (IGBT) capability and established a complete industry chain for pump electronic controls. We have developed a control technology that integrates smart regulation and variable frequency drive, which, combined with our permanent magnet synchronous motor platform and proprietary smart algorithms, enables our products to exceed the IE5 energy efficiency standard.

Based on this technology, we have developed high-efficiency synchronous motor controllers that support both constant pressure and constant speed operation modes and are equipped with multiple protection functions, including dry-run protection, lock-up protection, over-voltage and under-voltage protection, and over-current protection. In addition, the technology enables product miniaturization and lightweight design, making it particularly suitable for installation in space-constrained environments. It also incorporates modern functions such as smart connectivity and remote monitoring, thereby fully meeting the demand for efficient and stable water supply across household, agricultural and industrial applications.

High-efficiency and Energy-saving Pump Technology (高效節能水泵技術)

Through the application of optimized algorithms and multi-disciplinary simulation techniques, we effectively improved our pump performance. By adopting parametric design and neural network models, combined with smart algorithms to optimize impeller and volute structures, computational fluid dynamics (CFD) analysis enhances hydraulic efficiency. Finite element analysis strengthens durability and service life, acoustic simulation reduces vibration and noise, and fluid-thermal coupling improves heat dissipation, collectively enabling integrated performance featuring high efficiency, high reliability, low noise and superior heat dissipation.

This technology is featured with the following characteristics:

- Higher hydraulic efficiency.
- More powerful and longer service life.
- Lower noise and vibration.

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- Improved heat dissipation.

These comprehensive performance advantages enable our products not only to meet high energy efficiency standards, but also to help users reduce overall operating costs, making them suitable for municipal, industrial and construction sectors where stringent requirements are imposed on pump performance and reliability.

Sealing Technology (密封結構技術)

Our sealing technology is designed to address the longstanding issues associated with traditional mechanical seal pumps, including leakage, frequent maintenance and insufficient reliability. Through our self-developed fully enclosed seal-free design, the risk of medium leakage is eliminated at its source, significantly enhancing product safety and stability under demanding operating conditions.

Leveraging our sealing technology, our products eliminate the use of mechanical seals, thereby removing the leakage risks caused by seal wear. While achieving zero-leakage and highly reliable operation, our products also feature superior smart compatibility, enabling adaptation to complex environments at altitudes of up to 4,000 meters, and integrate multiple protective functions such as anti-condensation, temperature control, moisture resistance and corrosion resistance.

These technological advantages collectively enhance system reliability, optimize space utilization and broaden environmental adaptability, covering a wide range of high-end equipment applications in data centers, new energy sectors and industrial cooling systems.

Pump Manufacturing

Manufacturing Bases

As of December 31, 2025, we had five major manufacturing bases, including three in PRC, one in Hungary and one in Indonesia. The following table sets forth certain information relating to our principal manufacturing bases as of December 31, 2025.

Location	Aggregate GFA (sqm.)	Products
Wenling, PRC	approximately 250,000	Mainly vertical pumps, submersible pumps, horizontal pumps, end-suction pumps, and other types of civil pumps and gardening machinery
Xiangtan, PRC	approximately 96,800	Mainly custom-industrial pumps, split-case pumps, axial flow pumps
Dalian, PRC	approximately 28,500	Mainly OH, BB, and VS series chemical pumps
Fehérgyarmat, Hungary	approximately 2,500	Mainly submersible pumps and centrifugal pumps
Tangerang, Indonesia	approximately 3,180	Mainly booster pumps, hot water circulation pumps, gasoline engine pumps, and vertical multistage pumps

The Wenling manufacturing base in Zhejiang, as an intelligent pump production factory integrating 5G-AI and digital twin technology, significantly achieves equipment connectivity. It simultaneously integrates technologies such as 5G, AI, and industrial big data to realize data connectivity across all production elements. It has been selected as an outstanding-level smart factory project by the Ministry of Industry and Information Technology for 2025.

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The following table sets forth the production capacity and production volume by manufacturing bases for the periods indicated:

	Year ended December 31,								
	2023			2024			2025		
	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)
	(in units, except for percentages)								
Wenling, PRC	6,600,000	5,413,533	82.0	7,500,000	7,289,866	97.2	7,500,000	5,200,258	69.3
Xiangtan, PRC	4,500	3,825	85.0	4,500	3,391	75.4	4,500	3,693	82.1
Dalian, PRC	2,300	1,985	86.3	2,300	1,902	82.7	2,300	2,186	95.0

Notes:

- (1) Our production capacity for each period is calculated based on working days, working hours per day and pace of production, after considering time required for maintenance and replacement of machinery and equipment.
- (2) Our production capacity utilization rate for each period is calculated based by dividing the production volume by the production capacity.
- (3) Our manufacturing bases in Fehérgyarmat, Hungary and Tangerang, Indonesia primarily serve as assembly centers, where components are manufactured at our other three manufacturing bases. Therefore, production capacity and utilization rate are not applicable to these two manufacturing bases.

Dalian base commenced production in 2017, with its phase-2 factory was newly constructed at the end of 2022 and commenced operation in 2023. Xiangtan base commenced production in 2012, with its phase-2 factory was newly constructed in 2022 and commenced operation in 2023. Xiangtan and Dalian based mainly produced industrial pumps. Wenling base commenced production in 2016, mainly producing civil pump. In 2024, our production volume and utilization rate at Wenling base was higher due to an increase in international order demand, supported by many of our customers adopting a stockpiling strategy to mitigate the impact of tariff fluctuations. In 2025, our production and utilization rate at Dalian base was higher due to the continuous expansion of our market share in the domestic coal industry.

Production Equipment and Machinery

Our operations are supported by a diverse range of equipment and machinery tailored to accommodate our various product types. We own the principal equipment and machinery involved in our production process. The details of our production facilities are set out below:

Equipment and machinery	Functions	Our major products
CNC turning and milling compound center	Rotary surface turning, drilling and milling of planar holes	Casings and covers; impellers, intermediate sections and guide vanes
Horizontal machining center	Boring and milling of shapes and planes; drilling	Flanges and supports; milling of semi-ring sleeve components
Floor-type boring and milling machining center	Boring and milling of shapes and planes; drilling	Flanges and supports; casings and covers
CNC double-column vertical lathe	Turning of inner/outer circles, planes and inner holes	Pump casings and covers
CNC floor-type milling and boring machine	Boring and milling of inner/outer circles, planes and inner holes	Pump hubs, blade holes and 60-degree elbows
CNC cylindrical grinder	External cylindrical grinding	Shaft grinding
CNC gantry milling machine	Boring and milling of planes and inner holes; thread milling; drilling	Casings and covers; volutes

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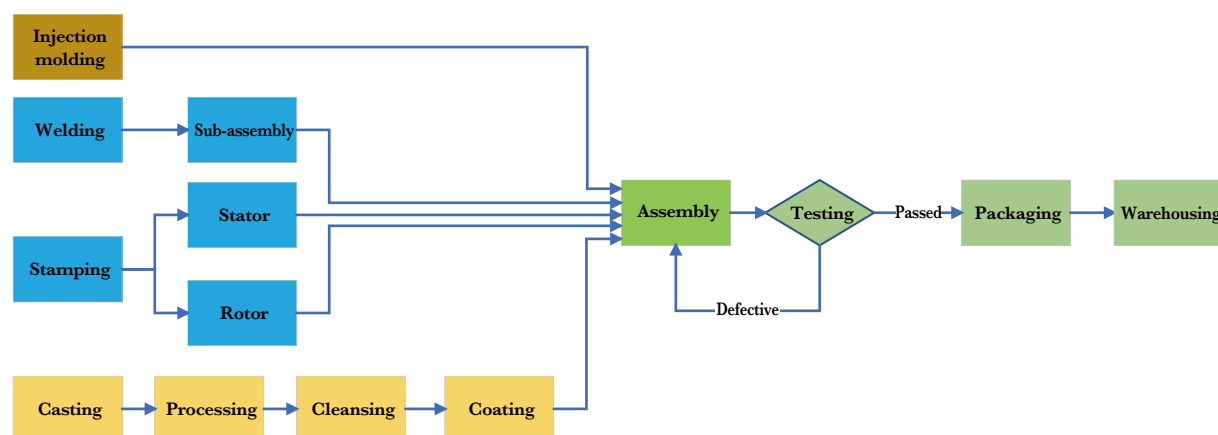
Equipment and machinery	Functions	Our major products
CNC vertical lathe	Rotary surface turning	Casings and covers
CNC turning and milling compound center	Rotary surface turning, drilling and milling of planar holes	Casings and covers; impellers, intermediate sections and guide vanes
Assembly line	Final product assembly	Assembly for various pumps

Production Process

Our production process involves procurement of raw materials and semi-finished products, processing of semi-finished products, assembly of components, final performance testing and logistics.

We procure a range of raw materials and semi-finished products from qualified suppliers, which are subsequently processed through casting, machining, injection molding, stamping and welding in accordance with required technical specifications. Key workstations are fitted with sensors to monitor torque and pressure to guarantee assembly precision and quality. For bearing installation, we adopt servo presses with real-time monitoring to enhance accuracy, consistency and reliability. Upon assembly, finished products undergo performance testing on key indicators such as flow rate, head, efficiency and safety compliance to ensure quality, reliability and adherence to relevant standards. Final products are subsequently stored in our warehouses and delivered to customers through our logistics system.

The following diagram illustrates the major manufacturing and assembly processes for our products:



Standardization, Automation and Digitalization

We have established a standardized production system designed to ensure product quality, production efficiency and product cost. Our production standardization is implemented through a comprehensive framework that covers raw material procurement, production process management, quality inspection, equipment maintenance and product delivery. In particular, we have formulated detailed process guidelines and technical specifications for each stage of production. These guidelines set clear operational procedures and quality benchmarks, enabling consistent execution across different product lines and production facilities. We adopt standardized molds, components and testing methods, which not only enhance production efficiency but also reduce the risks of defects. Our production standardization also incorporates digital management systems that enable real-time monitoring of key production parameters. By integrating automated equipment and digital platforms, we achieve uniformity in process control, improve traceability across production records and enhance overall management transparency. This allows us to maintain high quality and reliability while scaling production capacity.

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We have implemented advanced production automation across our manufacturing bases to enhance efficiency, consistency and scalability. Our automation framework integrates CNC machining, automated testing, intelligent material handling and robotics to achieve highly automated workflows from processing to inspection and transfer. By continuously developing and deploying both proprietary and collaboratively sourced automation technologies, we have achieved high automation rates in core component processing and production operations, reducing manual intervention and improving production reliability.

Additionally, we have established a comprehensive digitalization system to support intelligent production and real-time operational management. This includes integrated platforms connecting enterprise resource planning, production execution, warehouse management, master data management, and other core enterprise systems. Through these digital platforms, we enable end-to-end visibility and coordination of production processes, facilitate data-driven decision-making, and support quality traceability. The system also provides a foundation to replicate standardized automation and digital workflows across domestic and overseas facilities and to create a globally connected, consistently managed smart production network.

There were no major accidents in the course of our production process that resulted in death or serious injury of employees during the Track Record Period and up to the Latest Practicable Date.

Quality Control

We have established a comprehensive, multi-dimensional certification framework that integrates international standards, industry-specific requirements, and green and low-carbon initiatives, supported by three CNAS-accredited testing centers. Our framework is anchored by foundational certifications, including ISO 9001, ISO 14001, and ISO 45001. Through our “Pump Industry Management System Process Framework,” we implement a four-dimensional closed loop encompassing strategy, operations, support, and oversight. This framework covers strategic management, core business processes — including supply chain, production, and delivery — supporting processes such as human resources and IT systems, as well as occupational health and safety, environmental management, and continuous improvement.

Supplier Management

We have established a comprehensive, lifecycle-based supplier management system covering supplier onboarding, assessment, and exit. Through tiered and classified management, we optimize resource allocation and implement clear mechanisms for corrective and preventive actions, ensuring supply chain stability. A dedicated team of supplier quality engineers is engaged throughout the entire process — from new product development to mass production — conducting supplier audits and addressing issues collaboratively. By providing technical support and cost-control guidance, we help high-quality suppliers enhance their design and production capabilities, while an information-sharing mechanism improves order and logistics efficiency.

Raw Material Inspection

We maintain a dynamic, three-level inspection system, comprising standard, batch sampling, and enhanced, for raw materials, with selective monitoring for exempted materials and automatic switching of inspection status upon abnormalities. Through our MOM system, inspection status can be automatically reset, improving efficiency. CNAS-accredited testing centers conduct rapid inspection for key materials. All supplier deliveries, including material certificates, inspection records, and non-conformance handling, are digitally recorded through our MES system, supporting full traceability of quality issues.

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Finished Product Control

Guided by our “Quality 4.0” strategy, we implement a full-process control system covering design, production, warehousing, and logistics, with standardized procedures ensuring 100% inspection coverage. Real-time digital twin monitoring and fully networked equipment improve first-pass yield rates. We have implemented a three-tier inspection regime, from in-process inspection to finished product warehouse inspection and outgoing inspection. This integrated approach enables us to consistently deliver superior product quality and strengthen customer confidence.

Warehousing Management

Our smart, automated warehouses employ WMS systems to ensure first-in-first-out inventory management and accurate stock records. AGV robots handle material transport, enhancing inventory turnover. Similar components are stored and clearly labeled in designated zones, with 100% inspection coverage and real-time monitoring of production line status through digital twin systems, enabling rapid response to anomalies.

Delivery Management

Leveraging digital management and a global distribution network, we track orders throughout the entire process. Digital twin monitoring provides real-time visibility of production progress, which enables end-to-end management across contract review, design, production, and logistics. CRM systems facilitate automated order review, and ERP systems monitor material availability and production schedules in real time, ensuring timely and reliable delivery.

During the Track Record Period, in addition to manufacturing pump products internally, we also outsourced a portion of production to. The Company generally adheres to the following arrangements for outsourced production:

Supplier Admission

Each functional department reviews the qualifications of new suppliers, conducts on-site assessments of their production and quality systems, and includes approved suppliers in the qualified supplier list.

Order and Contract Management

The business team submits order requirements, which the procurement team reviews. Based on the configuration, suppliers are selected through price comparison and negotiation. The procurement contract is then submitted for approval, signed, and archived.

Delivery, Warehousing, and Payment

Customer service provides shipping information, and suppliers are notified to deliver goods to the factory. After passing quality inspection, the goods are warehoused. Suppliers initiate reconciliation requests, and upon confirmation, issue invoices. Finance records the transaction and makes payment according to the agreed terms.

Performance Management

Regular evaluations are conducted based on quality, delivery time, cost, and service dimensions, implementing performance and differentiated management.

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Raw Materials and Procurement

Raw Materials

Our raw materials primarily include copper, aluminum and iron. Our components primarily include silicon steel sheets, enameled wires, cast aluminum parts, cast iron parts, welded components, stamped sheet metal parts, and electrical materials. To mitigate the impact of fluctuation of the price of raw materials, we implemented a comprehensive risk management strategy. This includes procuring bulk materials in multiple batches to align costs with the monthly market average, adjusting short-term inventory based on market trends, and entering into supplier agreements to fix prices or define acceptable fluctuation ranges. For certain materials, we also secure annual pricing agreements to lock in component costs, thereby minimizing the effect of raw material price volatility on our purchased components.

Procurement

We have established a global supplier network and maintain a diversified supplier tier system to support our operations worldwide. We leverage centralized procurement to benefit from the scale of our operation and adopt competitive approaches such as tenders and negotiations to select suppliers offering proven quality reliability, competitive pricing, stable supply capabilities, and advanced technical expertise, thereby ensuring the competitiveness and stability of our supply chain. To mitigate reliance on any single supplier, we continuously optimize new supplier resources and maintain at least two qualified suppliers for each major raw material and component.

For selected key suppliers, we enter into long-term cooperation to secure a stable supply of raw materials and components. We achieve our global supply capabilities through a combination of three approaches: (i) developing and expanding partnerships with suppliers that have international supply capabilities to enhance direct supply to our overseas factories; (ii) cultivating local supplier resources for our overseas factories to enable regional sourcing of certain raw materials and components; and (iii) leveraging our international logistics capabilities to deliver supplies to overseas manufacturing bases via sea freight. During the Track Record Period and up to the Latest Practicable Date, we did not experience any quality issues or material shortages that materially affected our operations.

Logistics

We operate five manufacturing bases, three in the PRC and two overseas, strategically located to ensure convenient access to major transportation networks and enable timely delivery to our customers.

At each of our manufacturing bases, we have established long-term cooperation with experienced third-party logistics providers, ensuring safe and efficient shipment of products. Our logistics personnel at each base coordinate with customers and logistics providers for every shipment and continuously monitor customer satisfaction, including logistics experience, to drive improvements. To respond more rapidly to customer needs, we have also established multiple regional transit warehouses in cooperation with third-party logistics providers and distributor customers, through which we pilot expedited services such as 24-hour delivery to local customers.

Inventory Management

We maintain comprehensive warehouse and inventory management systems across our manufacturing bases to ensure the accuracy, efficiency and reliability of our inventory. Our inventory primarily consists of raw materials, work-in-progress and finished goods, and we actively manage inventory levels to support production schedules, meet customer demand and mitigate supply chain risks.

Our manufacturing bases implement systematic inventory control measures in accordance with relevant management regulations and quality standards. We also digitalize and standardize our inventory management through the ERP and WMS systems, which enhance the efficiency and accuracy of our inventory management processes.

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Sales Channel

Our revenue from the pump and pumping system business is mainly derived from the sales of our pump products and the provision of our solutions and services. During the Track Record Period, our products are sold through direct sales, ODM / OEM channels and our distributors. The table below sets forth a breakdown of revenue contribution by sales channels for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>						
Direct Sales	1,403,238	40.3	1,681,879	39.7	1,634,724	39.5
ODM / OEM	1,082,106	31.1	1,421,752	33.6	1,356,000	32.7
Distributor	997,838	28.6	1,130,416	26.7	1,150,531	27.8
Total	3,483,182	100.0	4,234,047	100.0	4,141,255	100.0

The table below sets forth a breakdown of gross profit and gross profit margin by sales channels for the periods indicated:

Gross profit and gross profit margin by sales channels

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
<i>(RMB in thousands, except for percentage)</i>						
Direct sales	412,097	29.4%	400,921	23.8%	376,770	23.1%
OEM/ODM	250,724	23.2%	357,837	25.2%	322,779	23.8%
Distributor	259,515	26.0%	346,844	30.7%	342,508	29.8%
	922,336	26.5%	1,105,602	26.1%	1,042,057	25.2%

During the Track Record Period, gross profit margin in respect of our direct sales decreased as a result of intensified competition in the domestic industrial pumps market, while gross profit margin from our sales through distributors increased as our proportion of overseas distributors, which enable us to obtain better profit margins, grew. Gross profit margin remained stable for our OEM/ODM sales, which are mainly overseas, over the Track Record Period.

As of December 31, 2025, our domestic and international marketing center and offices had more than 780 employees to provide timely global localized sales, marketing, and services. Our products are exported to more than 160 countries and regions worldwide, and we have established deep cooperative relationships with over 380 distributors. Our main clients include globally renowned equipment brands and leading domestic state-owned infrastructure enterprises, giving us a strong customer resource barrier.

We maintain long-term partnerships with various mainstream e-commerce platforms, including Amazon North America, JD.com, Taobao, Pinduoduo, and Alibaba International Station. During the Track Record Period, our products in multiple categories have consistently ranked among the top sellers on the Amazon North America platform for extended periods.

Direct Sales

Our direct sales customers primarily comprise leading enterprises across various industries. In the power sector, customers include the five major state-owned power generation groups. In the water conservancy sector, customers consist of provincial-level design institutes and large-scale domestic water-related enterprises and institutions. In the petrochemical industry, the Group serves industry

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leaders in China, as well as regional chemical enterprises. In the construction sector, clients include listed property developers with nationwide operations. In the municipal sector, clients cover provincial and municipal water utilities across regions.

Our direct sales business consists of two models: project-based and system integration-based:

- Under the project-based direct sales, product orders are typically obtained through bidding processes, which may involve direct tenders from clients or tenders/negotiations initiated by general contractors. This business model generally starts with acquiring project information from clients or design institutes, followed by client visits, technical discussions, solution proposals, quotations, and factory tours. The process culminates in the bidding stage, where we ultimately secure the order.
- Under the system integration-based direct sales, product orders are usually acquired through market activities and client visits. The process involves customer engagement, technical exchanges, provision of sample units, and negotiation of cooperation terms, ultimately leading to order placement.

Salient terms of our direct sales agreements

Term	Our framework agreements are typically valid for one year and may be renewed upon mutual agreement upon expiration.
Our products	We provide our customers with pumps and related accessories under our brand.
Pricing	Prices are generally stipulated in the agreement. Where the customer orders products with special configurations, the prices of those products will be separately negotiated. Prices may be adjusted with the mutual consent of both parties where market prices fluctuate significantly.
Minimum order amount	The customer is generally subject to a minimum order amount. If the customer fails to meet this amount, we will be entitled to adjust the product prices and terms of cooperation for the following year.
Payment	The customer is generally either required to (i) prepay 30% of the contract amount within 5 days of the date of signing the product purchase contract, and the full amount within 7 days of the shipment of the products; or (ii) pay the full amount before we arrange production or shipment of the relevant products.
Transportation and delivery	We will be responsible for the transportation of the products, but the customer will bear the transportation fees. Upon the delivery of the products, the customer will conduct an on-site inspection of the products and sign the delivery receipt within 24 hours. Failure to raise an objection within this timeframe shall be deemed as an acceptance of the delivered products as satisfactory.
Warranty	We offer warranties for our products from their date of delivery.
After-sales services	We may provide technical and after-sales services to our customers upon their request.

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Product returns	Products without quality defects may only be returned or exchanged with our written approval, with refund amounts being calculated according to when the products were manufactured.
Product training	We are responsible for providing product training to the relevant personnel of the customer.
Intellectual property	The trademarks related to our goods belong to us and shall only be used by our customers within the scope stipulated in the agreement.
Termination	The agreement may be unilaterally terminated by either party upon failure by the other party to perform the agreement, or mutually upon three months of prior written notice.

ODM/OEM

In the ODM business, we primarily collaborate with brand owners and manufacturers. We secure product orders through proactive engagement, including on-site visits, technical discussions, and factory tours, to strengthen client relationships and address their needs effectively. Under this model, customers explain their specific needs, and we deliver customized product design and manufacturing services tailored to those needs.

In the OEM business, we primarily collaborate with distributors and system integrators. To drive order conversion, we actively engage in client visits, participate in industry exhibitions, and leverage online marketing initiatives. Based on customers’ specified requirements, product specifications, and design plans, we deliver efficient and reliable manufacturing solutions tailored to their needs.

Salient terms of our ODM/OEM agreements

Term	Our agreements are typically valid for a term of one to three years, or are structured as continuing framework agreements that remain effective until terminated.
Products	Under OEM/ODM arrangements, we manufacture customised products according to the specifications of the customer. These products include pumps, pump systems, pump components and other related accessories that may be customer-branded or private label products.
Orders and forecasts	The customer may provide us with product forecasts, delivery schedules or planning estimates to assist us in arranging production capacity, materials procurement and supply planning. Actual purchase obligations generally arise through purchase orders.
Pricing	Prices are typically stipulated in the specific purchase orders of the customer, and may be subject to periodic review or adjustment by agreement between the parties.
Payment	The customer is required to make payment within an agreed credit period upon invoicing.
Delivery	We are responsible for the delivery of our manufactured products in accordance with the agreed delivery schedule.

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Warranty	We generally provide customary product warranties to the customer, including warranties that the products will conform to the agreed specifications, be free from defects and comply with the applicable legal and technical standards. In the event of breach, we may be required to repair, replace or reimburse the relevant products.
After-sales services	We generally provide after-sales support to our customers.
Defective or non-conforming products	Products that are defective or non-conforming with specifications may be returned or destroyed at our expense.
Intellectual property	Both parties typically retain their pre-existing intellectual property.
Termination	Termination is generally permitted upon the occurrence of material breach, repeated non-compliance with quality or delivery requirements, insolvency or other serious contractual default.

Sales to Distributors

During the Track Record Period, we sold our pump products to third-party distributors by transferring the ownership thereof directly for their subsequent sale to their customers. Such practice, in line with industry norm, is also aligned with our market development strategy as we seek to expand market coverage and quickly respond to ever-changing market demand. Meanwhile, we are committed to enhancing our brand awareness. Collaboration with renowned and high-quality distributors helps to expand the influence of our brand in regional markets and strengthen our market competitiveness. Distributorship model allows us to expand our market coverage in a cost-efficient manner without incurring substantial additional expenses in setting up and maintaining our own salesforce, while also enabling us to focus our resources on product development and quality management.

We have engaged distributors across various regions in China and multiple countries and regions overseas. They primarily engage in the sale of products such as water pumps and possess their own sales networks. The scale and capabilities of these distributors vary, with leading distributors holding dominant positions in their respective local markets. In addition to product sales, some distributors also provide relevant solutions or services. They serve not only as product sellers but also as comprehensive service providers offering broader support to our end customers.

To the best of our knowledge, all of our distributors during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties. We adopt a unified standard when engaging distributors and do not provide any advance or financial assistance to any distributor. We seek to establish and build a long-term and close relationship with our distributors. In addition, we generally do not prohibit our distributors from engaging sub-distributors in their respective authorized distribution territories, and we do not control or liaise with such sub-distributors directly. Therefore, the number and background of sub-distributors engaged by our distributors is beyond our knowledge. To the best of our knowledge, our end customers in the PRC primarily include households/individuals, factories (machine cooling, water purification), governmental clients (public facilities), both domestic and international enterprises in HVAC, environmental water treatment and residential application sectors, and our end customers overseas primarily include enterprises of various sizes focused on hardware and electromechanical and building materials and plumbing retails, constitution engineering, municipal water services, industrial support and agricultural irrigation. We had an ongoing business relationship of approximately one to three years on average with our distributors during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not have any material complaints, disputes, claims or litigations with our distributors. As such, we maintained a low level of non-recurring sales to distributors throughout the Track Record Period.

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During the Track Record Period, there was no material product returned by the distributors.

Distributor Selection

We have adopted a strict and multi-dimensional approach in selecting distributors. We select distributors with industry experience, professional expertise in the pump and related electromechanical equipment sector, strong regional market networks, operational capabilities, financial strength, and alignment with our brand and compliance standards. We permit our distributors to sell our products and to use our registered trademarks and related intellectual property in accordance with our distributor agreement.

Our distributor admission and selection process typically include application review, on-site assessment, evaluation, and formal authorization. Appointed distributors are subject to annual reviews of their sales performance, service quality, and compliance, ensuring a stable and high-quality distributor network to support our business growth.

Distributor Management

We support our distributors’ growth through training, marketing activities and technical assistance. Our management approach combines performance assessment, role allocation, and risk control to ensure the stability, efficiency, and effectiveness of our distribution network.

We manage our distributors through a systematic framework that covers operational performance, compliance, after-sales service, and brand protection. Distributor relationships are formalized through framework agreements, which set out key terms including designated sales scope, pricing, payment and termination clause. Set forth below are key aspects of our distributor management policies and measures:

- **Inventory management.** We adopted several measures to reduce channel stuffing risks. First of all, we manage our distributors to ensure that they would maintain a reasonable inventory level. We allow distributors to share their inventory on the distributor inventory sharing platform established by our Company, through which we assist in managing and monitor their inventory level. To closely monitor our pump products, we affix each of our pump products with additional product traceability code that includes name, model, production date and information of buyers. We also stipulate penalty in our distributorship agreement in relation to the occurrence of channel stuffing. Under our strict policies and management, we generally maintained a low channel stuffing occurrence.
- **Cannibalization Minimization.** To minimize the risk of cannibalization among distributors, we adopt the following measures: (i) clearly delineating the geographic coverage of our distributors and explicitly prohibiting them from selling our pump products outside their designated geographical regions, and delegating our distributor to manage their respective sub-distributors to avoid cannibalization; and (ii) managing the pricing policy and provide market-guided price for our pump products sold worldwide.
- **Revenue recognition policy.** We recognize revenue from product sales to distributors when the products are shipped from or delivered to the locations specified in our sales agreements with the distributors, at which point the distributors take ownership of the products and assume the risk of loss. For more details regarding our revenue recognition policies, please refer to note 5(h) to the Accountants’ Report in Appendix I to this document.
- **Compliance management.** We require our distributors to strictly comply with relevant laws and regulations, as well as our management policies, in their sales practices. If any of our distributors fails to comply with the relevant laws and regulations, or our management policies, we may reserve the right to unilaterally terminate our distributorship agreement with them.

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We carefully manage our distribution channels and mitigate the risk of channel stuffing by partnering with rigorously selected distributors through comprehensive assessments and periodic reviews. We believe the risk of channel stuffing within our network is low because (i) we maintain a contractual buy-sell relationship with distributors, and (ii) we generally do not permit product returns unless quality issues attributable to us arise. Similarly, we consider the risk of cannibalization within our distribution network to be minimal, as (i) we clearly define the geographic coverage of each distributor, prohibit sales outside designated regions, and delegate distributors to manage their sub-distributors to prevent overlap; and (ii) we enforce differentiated pricing policies taking into account update-to-date market conditions and market price in different countries and regions.

Movement in the number of our distributors

	Year ended December 31,		
	2023	2024	2025
Distributors at the beginning of year	347	378	387
Addition of new distributors	49	39	49
Termination of existing distributors	18	30	51
Distributors at the end of year	378	387	385

During the Track Record Period, we primarily engaged new distributors in connection with our business expansion, with a view to broadening the coverage of our sales network and extending the reach of our products to a wider consumer base. The termination decisions were made based on a number of factors, including sales performance and unsatisfactory cooperation, e.g. unable to achieve sales target, which was the main reason for the termination of existing distributors during the Track Record Period.

Salient terms of agreements with distributors

We have entered into framework distributorship agreements with certain of our distributors, pursuant to which the distributors are generally required to achieve pre-determined purchase targets within their designated sales territories or scopes. Under such arrangements, the distributors place purchase orders with us from time to time, primarily in the form of sales contracts, for the procurement of our products. The salient terms of the distributorship framework agreements are set out below:

Distributor relationship	Our relationship with a distributor is not that of a principal and an agent, but that of a customer and a supplier under which we transfer the ownership of products to the distributor directly for its subsequent sale of such products to the distributor’s customers.
Term	Generally for one to three years
Designated sales scope	The geographical regions and/or product type for which the distributor is responsible are designated by us. The distributor is strictly prohibited from selling our products outside its designated sales scope without our prior written consent.
Sales performance and targets	We usually include a minimum sales requirements or sales targets in the distributorship agreement, which is in essence an adjustable sales target for our distributors to incentivize their sales and demonstrate their commitments to market and sell the pump products within the respective designated jurisdictions.
Pricing	The framework distributor agreement typically sets forth the unit price we sell to the distributor.

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Payment	The distributor is required to make payment for the contract price within the agreed credit term, which is generally 90 days from invoicing.
After-sales Services	The distributor is required to provide after-sales services to the end customers.
Compliance	The distributor is required to comply with all applicable laws and regulations as well as our policies put in place for distributors to comply, including those in respect of confidentiality, IP protection, anti-bribery and antikickback.
Termination	The distributorship agreement may be terminated by us for cause when, among other things, the distributor fails to comply with relevant laws and regulations, fails to meet any pre-set sales amount, sells our products outside its designated sales scope without our prior written consent, operates illegally or otherwise breaches the agreement in any material respect.
Product Return	We generally do not accept product returns or exchanges except for products with quality defects. Any product return unrelated to quality defects must be consulted and agreed upon by both parties in written.

We maintain a buyer-seller relationship with our distributors and place strong emphasis on the management of our distributorship network. We have established and maintained stable and cooperative relationships with our distributors. In selecting distributors, we take into consideration a number of factors, including their track record, sales experience and market reputation. We also conduct regular assessments of our distributors based on their sales performance and their ability to develop sales channels.

After-sale Services

We offer tailored after-sales services through industry-specific warranty policies. We typically provide a standard two-year warranty, covering free repair services and replacement of parts for end-users. In addition, authorized distributors and industrial customers are supported under contractual service arrangements. For products or cases not covered under warranty, we offer fee-based repair services. Supported by a nationwide service network, we are able to provide timely responses, with on-site presence of within 24 hours for critical industries and within 72 hours for other sectors. Our after-sales service team, comprising experienced engineers and authorized partners, possesses expertise across mechanical, electrical and automation systems, enabling comprehensive after-sales support, including equipment repair, installation guidance and technical training. Overseas distributors provide after-sales services in their respective regions, with our technical team offering support when necessary.

Pricing

Our pricing for products and projects is primarily determined by general factors including production costs, customer background, procurement scale, exchange rates, prices of our competitors’ offerings and overall market demand. During the Track Record Period, the price range of our various pump products are set forth as follows:

Product category	Specific product category	Price range (RMB)
Civil pump	Domestic pump	100–700
	Commercial pump	700–100,000

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Product category	Specific product category	Price range (RMB)
Industrial pump.	Water conservancy industrial pump	11,000–3,500,000
	Power sector industrial pump	5,800–14,000,000
	Petrochemical industrial pump	24,500–4,387,800
Ancillary facilities	Horizontal multistage centrifugal pump body	60–220
	Jet pump body	50–80
	Pipeline pump body	150–6,800
	Impeller	3–750
Other	Branch Shredder	500–1,000
	Lawn mower	730–15,000

Sales and Marketing

As of December 31, 2025, our sales and marketing team of the pump and pumping system business consisted of more than 780 employees with extensive industry experience. Our sales and marketing team implements a series of daily marketing initiatives designed to strengthen market presence and drive business growth.

These initiatives include market research and strategy, through which we monitor domestic and international pump market demand, competitor activities, and policy developments, and gather customer insights via surveys, interviews, and other feedback channels to optimize product positioning and marketing direction. Our sales and marketing team also focuses on channel development and management, maintaining distributor relationships, providing regular training, expanding online channels, and participating in industry exhibitions while adapting cooperation models to local regulations and market practices. Our brand and product promotion activities include showcasing new products at key exhibitions, producing technical manuals, case videos, and industry white papers, distributing content via our website, industry media, social media, and official WeChat account, and placing targeted advertisements in industry publications. In addition, our sales and marketing team engages in customer acquisition and relationship management through phone, email, and on-site visits, offering tailored solutions and maintaining regular follow-ups with existing customers. Our sales and marketing team further provides sales support, assisting in quotations, tender submissions, and promotional materials, while working closely with R&D to integrate market feedback into product development and drive continuous product iteration.

We adopt a comprehensive marketing strategy that combines exhibitions, industry forums, distributor engagement, strategic partnerships and active participation in industry associations to enhance our brand recognition and expand our business network both domestically and internationally.

OUR OTHER BUSINESS

In addition to our digital marketing and pump and pumping system businesses, we also recorded revenues from sales of semiconductor, silicon steel, scrap and residual materials, as well as rental income. We primarily sells (i) silicon steel to manufacturers of water pumps, air compressors, electric vehicles and motors, and (ii) scrap and residual materials generated during production process to recycling companies or individual customers. We lease factory premises to tenants and charge rental fees, under which we generally enter into fixed-term lease agreements with tenants for periods from one to five years. We are also engaged in the R&D, manufacturing and sales of power semiconductor modules. In 2023, 2024 and 2025, the revenue contribution by our other business was insignificant, being 2.3%, 2.4% and 1.5%, respectively.

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OUR CUSTOMERS

During the Track Record Period, our major customers for digital marketing business primarily consisted of enterprises with advertising demands across sectors such as e-commerce, automotive, and technology. In 2023, 2024 and 2025, our five largest customers for digital marketing business in each year accounted for approximately 22.5%, 18.9% and 17.0% of our total revenue, respectively, and sales to the largest customer for digital marketing business in each year accounted for approximately 8.4%, 10.1% and 6.8% of our total revenue, respectively. Our primary means of settlement includes bank acceptance notes and bank transfer.

During the Track Record Period, our major customers for pump and pumping system business primarily consisted of international distributors, traders, and service providers primarily involved in gardening tools, power tools, pumps, hardware, electromechanical equipment, logistics, and related technical or commercial services. In 2023, 2024 and 2025, our five largest customers for our pump and pumping system business in each year accounted for approximately 2.5%, 3.0% and 3.1% of our total revenue, respectively, and sales to the largest customer for our pump and pumping system business accounted for approximately 0.6%, 1.0% and 1.2% of our total revenue, respectively.

The tables below set forth the basic information of our top five customers in each period during the Track Record Period:

Digital Marketing Business

Year ended December 31, 2025

Customer	Major product/service provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer Group A	Digital Marketing Services	1,359.0	6.8	2010
Customer Group B	Digital Marketing Services	664.4	3.3	2021
Customer C	Digital Marketing Services	640.0	3.2	2024
Customer Group D	Digital Marketing Services	385.8	1.9	2017
Customer Group E	Digital Marketing Services	357.0	1.8	2012
Total		3,406.2	17.0	

Year ended December 31, 2024

Customer	Major product/service provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer Group A	Digital marketing services	2,140.5	10.1	2010
Customer Group B	Digital marketing services	514.5	2.4	2021
Customer C	Digital marketing services	468.1	2.2	2024
Customer Group E	Digital marketing services	464.1	2.2	2012
Customer Group D	Digital marketing services	413.1	2.0	2017
Total		4,000.3	18.9	

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Year ended December 31, 2023

Customer	Major product/service provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer Group A	Digital marketing services	1,724.3	8.4	2010
Customer Group F	Digital marketing services	1,575.3	7.7	2016
Customer Group B	Digital marketing services	528.2	2.6	2021
Customer G	Digital marketing services	403.3	2.0	2021
Customer Group H	Digital marketing services	358.5	1.8	2022
Total		4,589.6	22.5	

Notes:

- (1) Customer Group A: A group of companies that includes a company headquartered in Beijing and principally engaged in the wholesale industry. It is a wholly owned subsidiary of a company listed on the Hong Kong Stock Exchange since June 2020.
- (2) Customer Group B: A group of companies that includes a company headquartered in Beijing and principally engaged in the software and information technology services industry.
- (3) Customer C: A company headquartered in Hainan and principally engaged in the software and information technology services industry.
- (4) Customer Group D: A group of companies that includes a company headquartered in Beijing and principally engaged in the internet and related services industry. It is a wholly owned subsidiary of a company listed on the Hong Kong Stock Exchange since March 2021.
- (5) Customer Group E: A group of companies that includes a company headquartered in Guangdong and principally engaged in the automotives industry. It is a wholly owned subsidiary of a company listed on the Hong Kong Stock Exchange since July 2002.
- (6) Customer Group F: A group of companies that includes a company headquartered in Shanghai and principally engaged in the software and information technology services industry.
- (7) Customer G: A company headquartered in Zhejiang and principally engaged in the development and operation of online games.
- (8) Customer Group H: A group of companies that includes a company headquartered in Guangdong and principally engaged in internet and related services. It has been listed on the Shenzhen Stock Exchange since August 2016.

Pump and Pumping System Business

Year ended December 31, 2025

Customer	Type of customer	Major products provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer I	ODM/OEM	Pumps	229.2	1.2	2008
Customer J	ODM/OEM	Pumps and gardening machinery	140.0	0.7	2003
Customer Group K	Distributor	Pumps	124.7	0.6	2005
Customer L	ODM/OEM	Pumps	66.3	0.3	2023
Customer M	Distributor	Pumps	66.0	0.3	2011
			626.2	3.1	

BUSINESS

Year ended December 31, 2024

Customer	Type of customer	Major products provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer J	ODM/OEM	Pumps and gardening machinery	198.1	1.0	2003
Customer I	ODM/OEM	Pumps	153.6	0.7	2008
Customer	Distributor	Pumps	132.4	0.6	2005
Group K					
Customer	ODM/OEM	Pumps	83.7	0.4	2007
Group N					
Customer M	ODM/OEM	Pumps	65.9	0.3	2012
			<u>633.7</u>	<u>3.0</u>	

Year ended December 31, 2023

Customer	Type of customer	Major products provided	Revenue (RMB in million)	% of total revenue	Business relationship since
Customer I	ODM/OEM	Pumps	122.4	0.6	2008
Customer J	ODM/OEM	Pumps and gardening machinery	105.0	0.5	2003
Customer	ODM/OEM	Pumps	95.8	0.5	2010
Group N					
Customer O	Distributor	Pumps	92.2	0.5	2012
Customer P	Distributor	Pumps	91.1	0.4	2020
			<u>506.5</u>	<u>2.5</u>	

Notes:

- (1) Customer I is an unlisted German manufacturer of gardening tools headquartered in Ulm, Germany originated in 1961.
- (2) Customer J is an unlisted mid-sized power tools and garden tools trading company incorporated in Shanghai, China in 2006. It is a subsidiary of a German public company incorporated in 1964.
- (3) Customer Group K is a group of companies that includes an Algerian company specializing in professional services and general commerce.
- (4) Customer L is an unlisted company incorporated in Hangzhou, China, primarily engaged in technical services and consulting, branding and marketing planning, sales of goods on the internet and hardware product wholesale and retail.
- (5) Company M is an unlisted state-owned trading company headquartered in Shanghai, principally engaged in the import and export of medical devices and consumables, the trading of electromechanical and other products, and the provision of logistics and supply chain services.
- (6) Customer Group N is a group of companies controlled by a leading global water technology and water infrastructure solutions provider headquartered in the United States and listed on the New York Stock Exchange.
- (7) Customer O is an unlisted importer of water pumps and industrial equipment headquartered in Iran.
- (8) Customer P is an unlisted importer of water pumps, valves and water treatment equipment headquartered in Russia.

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders had any interest in any of our five largest customers in each period during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, none of our customers requested to terminate their agreements with us.

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Salient Terms of Agreements with Customers

The following summarizes the salient terms of a typical service agreement that we enter with a customer:

Digital Marketing Business

Term	We generally enter into (i) annual framework agreements, which may be renewed subject to mutual agreement of the parties, or (ii) agreements with a fixed term in respect of specific digital marketing campaigns
Our services	We will provide the digital marketing services to our customers as stipulated under the agreements
Pricing	Please see “— Our Digital Marketing Business — Revenue and Cost Recognition” for details.
Payment	Generally by installation
Termination	Besides natural expiration upon the contractual term, the agreement may be terminated by either party due to the other’s uncured breaches or force majeure events

Pump and Pumping System Business

For our pump and pumping system business, we may enter into direct sales agreements, ODM/OEM agreements or distributor agreements with our customers. Please see “Our Suppliers — Sales Channel” for more details.

OUR SUPPLIERS

During the Track Record Period, our major suppliers for digital marketing business primarily consisted of media platforms. In 2023, 2024 and 2025, the aggregate purchases from our five largest suppliers for digital marketing business in each of such period accounted for approximately 74.7%, 63.7%, and 61.3%, respectively, of our total purchases, and the purchases from our largest supplier for digital marketing business in each year accounted for approximately 45.6%, 33.2% and 28.2%, respectively, of our total purchases. In 2023, 2024 and 2025, average rebate rate provided by the five largest suppliers for our digital marketing business was 8.8%, 12.2% and 7.4%, respectively. Such rebate rate is generally impacted by our gross spending on the relevant platforms, the quality of our advertisements and client base, and the respective KPI policies of the media platforms.

During the Track Record Period, our major suppliers for pump and pumping system business primarily consisted of manufacturers and suppliers of electromagnetic wires, cables, metal materials and mechanical and electromechanical components. In 2023, 2024 and 2025, the aggregate purchases from our five largest suppliers for our pump and pumping system business in each year accounted for approximately 2.5%, 3.4% and 2.9% of our total purchases, respectively, and the aggregate purchases from the largest supplier for our pump and pumping system business accounted for approximately 0.7%, 0.9% and 0.8% of our total purchases, respectively.

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The tables below set forth the basic information of our top five suppliers in each period during the Track Record Period:

Digital Marketing Business

Year ended December 31, 2025

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchases	Business relationship since
Supplier Group A	Media resources	5,171.5	28.2	2021
Supplier Group B	Media resources	2,310.8	12.6	2010
Supplier Group C	Media resources	1,855.3	10.1	2010
Supplier Group D	Media resources	1,139.8	6.2	2017
Supplier E	Media resources	762.3	4.2	2024
Total		11,239.7	61.3	

Year ended December 31, 2024

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchases	Business relationship since
Supplier Group A	Media resources	6,406.7	33.2	2021
Supplier Group B	Media resources	2,835.8	14.7	2010
Supplier Group C	Media resources	1,339.8	7.0	2010
Supplier Group F	Media resources	918.1	4.8	2024
Supplier Group D	Media resources	771.8	4.0	2017
Total		12,272.2	63.7	

Year ended December 31, 2023

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchases	Business relationship since
Supplier Group A	Media resources	8,547.3	45.6	2021
Supplier Group B	Media resources	2,423.2	12.9	2017
Supplier Group C	Media resources	1,339.8	7.1	2010
Supplier Group G	Media resources	974.8	5.2	2017
Supplier Group D	Media resources	726.9	3.9	2017
Total		14,012.0	74.7	

Notes:

- (1) Supplier Group A: A group of companies that includes a company headquartered in Beijing and principally engaged in the software and information technology services industry.
- (2) Supplier Group B: A group of companies that includes a company headquartered in Beijing and principally engaged in the internet and related services industry. It is a wholly owned subsidiary of a company listed on the Hong Kong Stock Exchange since March 2021.
- (3) Supplier Group C: A group of companies that includes a company headquartered in Beijing and principally engaged in the cultural and arts industry. It is a subsidiary of a company listed on the Hong Kong Stock Exchange since June 2004.
- (4) Supplier Group D: A group of companies that includes a company headquartered in Beijing and principally engaged in the business services industry. It is a wholly owned subsidiary of a company listed on the Hong Kong Stock Exchange since February 2021.

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- (5) Supplier E: A company headquartered in Shenzhen and principally engaged in software development, network technology services and internet technology services.
- (6) Supplier Group F: A group of companies that includes a company headquartered in Chongqing and principally engaged in the technology promotion and application services industry.

Pump and Pumping System Business

Year ended December 31, 2025

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchase	Business relationship since
Supplier H.	Copper enameled wire	153.1	0.8	2013
Supplier I.	Silicon steel	112.1	0.6	2013
Supplier J.	Deep well pump	109.6	0.6	2013
Supplier K.	104 aluminum ingots/cast aluminium parts	82.7	0.5	2013
Supplier L.	Motor	80.6	0.4	2011
Total.		538.1	2.9	

Year ended December 31, 2024

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchase	Business relationship since
Supplier H.	Silicon steel	176.7	0.9	2013
Supplier I.	Copper enameled wire	141.5	0.7	2013
Supplier J.	Motor	127.7	0.7	2011
Supplier L.	Deep well pump	117.7	0.6	2013
Supplier K.	104 aluminum ingots/cast aluminum parts	89.3	0.5	2013
Total.		652.9	3.4	

Year ended December 31, 2023

Supplier	Product/service purchased	Purchase amount (RMB in million)	% of the total purchase	Business relationship since
Supplier H.	Copper enameled wire	134.1	0.7	2013
Supplier I.	Silicon steel	121.3	0.6	2013
Supplier M.	Air tank, fan cover	77.0	0.4	2013
Supplier L.	ADC12 amd YL104 aluminum casting alloys	75.5	0.4	2018
Supplier J.	Deep well pump	72.7	0.4	2013
Total.		480.6	2.5	

Notes:

- (1) Supplier H: a PRC-listed company headquartered in Zhejiang that is principally engaged in the research and development, production and sale of high-end electromagnetic wires.
- (2) Supplier I: a PRC company headquartered in Zhejiang that is principally engaged in the research, development and sale of new energy materials and the manufacture and sale of motor parts, pump parts and other mechanical components.

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- (3) Supplier J: A PRC company headquartered in Zhejiang that is principally engaged in the manufacture and processing of submersible motors, deep well submersible pumps and related parts.
- (4) Supplier K: A PRC company headquartered in Taizhou that is principally engaged in the manufacture and processing of non-ferrous metal alloys, aluminium products, mechanical parts, auto parts and hardware accessories.
- (5) Supplier L: A PRC company headquartered in Xiangtan that is principally engaged in the manufacture of electrical machinery and equipment, with a core focus on electromagnetic energy, electric motors and electric control systems.
- (6) Supplier M: A PRC company headquartered in Wengling that is principally engaged in the manufacture and sale of mechanical parts, automotive and motorcycle parts, motor parts and pump parts.

During the Track Record Period, we primarily procured media resources from our major suppliers. The supply of media resources for the digital marketing industry is highly concentrated. With few alternatives available for media resources, procuring media resources from our major suppliers is in line with industry practice. Meanwhile, to mitigate the risks associated with supplier concentration, we have adopted a diversification strategy. In recent years, we have continued to expand our media resource network by establishing cooperation with emerging platforms, thereby reducing concentration risk. Regarding risks arising from supplier concentration, please refer to “Risk Factors — Risks Relating to Our Business and Industry — Risks relating to our digital marketing business — We rely on several media platforms to provide digital advertising agency services for our clients during the Track Record Period. If we fail to maintain our business relationship with such media platforms, our brand, business, financial condition and results of operations could be materially and adversely affected.”

Our Directors are of the view that our relationship with our major suppliers is unlikely to materially adversely change or terminate, because (i) we have maintained a long-term and stable collaboration relationship with our major suppliers, (ii) during the Track Record Period, we did not have any disputes with our major suppliers.

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year during the Track Record Period.

The Directors confirm that we did not experience any material shortage of supply, disruptions, disputes or delays in relation to the supply of suppliers, or any material breach or early termination of our contractual arrangements with suppliers during the Track Record Period and up to the Latest Practicable Date.

Salient Terms of Agreements with Suppliers

The following summarizes the salient terms of a typical service agreement that we enter with a supplier:

Digital Marketing Business

Term	Generally one year, subject to renewal upon consent of both parties
Technical Support and Platform Operations	Our suppliers provide technical support or documentation pertaining to advertising services and are responsible for the operation and maintenance of media platform systems.
Pricing	Typically based on actual consumption of media resources

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Confidentiality	Both parties undertake to maintain strict confidentiality regarding the agreement and any proprietary information disclosed during its performance, including but not limited to business secrets, technical data, financial information, product plans, marketing strategies, and user data
Termination	Besides natural expiration upon the contractual term, the agreement may be terminated by either party due to the other’s uncured breaches or force majeure events
<i>Pump and Pumping System Business</i>	
Term	A fixed initial term, with automatic renewal for successive one-year periods unless written notice is given to the contrary
Products	Our suppliers supply raw materials, sheet metal parts, electrical parts, complete machines and other goods as specified in the relevant purchase contract or order
Pricing and payment	Pricing is generally fixed unit price, and payment is generally based on account reconciliation confirmed by both parties
Warranty	Generally 24 months from the date the goods pass our operational acceptance. Suppliers are also required to provide the manufacturer’s quality assurance documentation
Termination	No specific right to terminate on notice or upon certain termination events

Overlapping Customers and Suppliers

During the Track Record Period, within our digital marketing business segment, certain of our five largest customers in each year of the Track Record Period also acted as our suppliers, or vice versa, in that they supplied media resources for us and also purchased digital marketing services from us.

According to Frost & Sullivan, such arrangements are common in the digital marketing industry that technology companies which operate media platforms may become customers of digital marketing service providers when they have marketing needs to promote their products or services.

During the Track Record Period, among our five largest customers, Customer Group B and Customer Group D were also our suppliers, being Supplier Group A and Supplier Group B, respectively. We primarily provided digital marketing services to, and procured media resources from Customer Group B/Supplier Group A and Customer Group D/Supplier Group B. In 2023, 2024 and 2025, Customer Group B/Supplier Group A and Customer Group D/Supplier Group B contributed 4.0%, 4.4% and 5.2% of our total revenue, respectively, and 58.5%, 47.9% and 40.9% of our total cost of sales, respectively.

In 2023, Supplier C, Supplier D, Supplier F and Supplier G were also our customers, and contributed 2.0% of our total revenue and 16.2% of our total cost of sales. In 2024 and 2025, Supplier D, Supplier F and Supplier G were also our customers, and contributed 2.5% and 1.4% of our total revenue, respectively, as well as 19.1% and 11.7% of our total cost of sales, respectively.

During the Track Record Period, none of our five largest customers in respect our pump and pumping system business were also our supplier, and none of our five largest suppliers in respect of such business segment were also our customer.

BUSINESS

DATA PRIVACY AND DATA SECURITY

We are committed to ensuring data privacy and information security. In our business operations, we primarily collect personal data related to employee information and business partner information. We ensure that we obtain valid authorization and consent from our employees and business partners for the collection and processing of their personal information. The data we process primarily include:

- (1) data generated or collected by the Group, which are kept within our Group, primarily including (i) data we generate during our operations (such as financial data, business operation data, and product development data); and (ii) basic employee information we collect from employees for human resource management purposes, with the prior consent and authorization of the employees, and used solely for human resource management needs;
- (2) data we collect from end-users. We primarily collect personal information from end-users when they control home pump products through a mobile app, with explicit consent from end-users during the registration and login process. Such information generally includes basic user information, rough geographic location information and device information. The above data are also kept within our Group;
- (3) data we collect from enterprise customers and suppliers, primarily include business contact information, advertising distribution data and advertising content data. Such data are obtained with prior consent obtained from advertisers, media platforms, and other relevant parties and kept within our Group; and
- (4) data we purchase from a qualified third-party platform, primarily including enterprise registration information, enterprise background and credit information and information about the enterprise’s directors, supervisors, and senior management. We use such data to access the background and credibility of our counterparties in our business operations. The purchase of third-party data is governed by the Civil Code, the Personal Information Protection Law, the Cybersecurity Law and the Data Security Law of the PRC.

We have taken measures to verify the legality of data sources purchased from third parties. We require data providers to provide authorization certificates and explanations for the source of data, and we have specifically included information and data protection clauses in the agreements signed with data providers. These clauses require data providers to commit that the data they provide to recipients complies with laws and regulations, has obtained the authorization and consent of the relevant personal information subjects, and does not infringe upon the legitimate rights and interests of any third party. Data recipients commit to protecting the security of personal information using methods and necessary measures that comply with relevant laws and regulations, and to processing relevant personal information in accordance with laws and regulations, the aforementioned authorization and consent of the personal information subjects, and the provisions of this agreement. The Group selects data providers with relatively high industry reputation, relatively mature and stable business models, and good credit standing.

We have implemented robust protective measures for the data we collect. These include comprehensive data security management policies, regular review and adjustment of employee access rights with immediate deactivation upon departure, strict password protocols, and encryption of sensitive data to prevent unauthorized access. We deploy Data Loss Prevention systems, firewalls, and intrusion detection/prevention systems to monitor and block unauthorized or malicious activity. In addition, we conduct regular vulnerability scans and penetration tests, and perform routine backups of critical systems to ensure data security and business continuity.

As advised by our PRC Legal Advisors, we were not involved in any cross-border data transfers that would violate applicable laws and regulations during the Track Record Period and as of the Latest Practicable Date. We were in compliance with the current laws and regulations regarding the establishment of cybersecurity and data protection systems in PRC in all material respects during the Track Record Period and as of the Latest Practicable Date.

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During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incidents of theft, leakage, damage, illegal use or illegal export of core data, important data or a large amount of personal information; we had not received any investigations, inquiries, rectification orders or penalties from relevant government departments related to network security, data protection or any network security review; we had not been involved in any material lawsuits, arbitrations, penalties or potential disputes or controversies regarding network security and data protection. We have established internal control management systems for network security, data security and personal information protection, and have taken corresponding compliance measures as follows:

Data usage: (1) Before using data, its purpose must be clearly defined to ensure that the purpose is clear, reasonable and necessary. (2) For personnel authorized to access or use personal information, a minimum authorization access control policy should be established so that they can only access the minimum necessary personal information required for their duties and have only the minimum data operation permissions required to complete their duties. (3) Set up internal approval processes for important operations on personal information, such as batch modification, copying, downloading and other important operations.

Data storage: (1) Electronic information shall be stored in the company system or on the computers of designated personnel, and shall be encrypted when necessary. (2) Access control shall be set for the storage of electronic information, and only authorized personnel shall be able to access the relevant information. (3) Paper information shall be properly stored in a locked drawer or cabinet, and the key shall be kept by a designated person. (4) Storage media containing personal information (USB flash drives, hard drives, etc.) shall be properly stored in a locked drawer or cabinet when not in use, and the key shall be kept by a designated person. (5) Personal information entrusted by customers to be stored in the course of business (e.g., customer’s customer information) shall be stored in strict accordance with the customer’s requirements; if the customer has no explicit requirements, it shall be stored in accordance with the requirements of this regulation. (6) The retention period for personal information shall be the shortest time necessary to achieve the purpose authorized by the personal information subject, unless otherwise stipulated by laws and regulations or otherwise authorized and agreed by the personal information subject; after the personal information storage period expires, the personal information shall be deleted or anonymized, etc.

Cross-border data transfer: In the course of our business operations, there are no cross-border data transfers, and the relevant laws and regulations on data export do not apply.

Integration scenarios using open-source models or algorithms: For the open-source models being integrated, we mainly implement them through private deployment and manage relevant data in accordance with the ISO-27001-2022 standard to ensure the security of model integration.

INTELLECTUAL PROPERTY

Our intellectual properties primarily consist of patents, trademarks, and copyrights. As of the Latest Practicable Date, we had 63 registered patents, 57 trademarks and 7 copyrights that are material to our business operations. See “Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights.” for more details of the material intellectual property rights.

We have formulated in-house intellectual property management rules. We enter into standard confidentiality agreements with all employees and non-competition agreements with our management personnel and core R&D personnel. We adopt a strategic and proactive approach to manage our intellectual property portfolio. We designate dedicated personnel to handle intellectual property-related issues, including monitoring the status of intellectual property applications and performing routine checks to prevent and identify any third-party infringement of our intellectual property rights. In addition, we have developed internal policies to promote the development of inventions, ideas, discoveries, improvements, and copyrightable materials by our employees and to compensate fairly employees who achieve such results arising from their employment with us.

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During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings in relation to infringement of any intellectual property rights which would have any material adverse impacts on our business, financial condition, and results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

ESG Governance

We have fully integrated the philosophy of sustainable development into our corporate governance framework and established a three-tier sustainability management structure comprising “governance–management–execution.” Under the Board of Directors, we have established a Strategy and Sustainability Committee, which is responsible for setting annual ESG strategic objectives, formulating and advising on our long-term ESG strategic plan, and reviewing our sustainability report and other ESG-related disclosures. Under this committee, we have established a Sustainable Development Center, which is responsible for translating the annual ESG strategic objectives into actionable plans and programs. These are then assigned to the execution level, with the Sustainable Development Center overseeing implementation performance and conducting regular reviews. For material ESG issues, Special Working Groups are formed to identify and assess ESG-related risks and opportunities, thereby advancing the promotion and implementation of ESG initiatives. Through this top-down and bottom-up governance mechanism, we have established a closed-loop system of ESG strategic planning, process control and performance evaluation.

Risk Management

We have conducted a dual materiality assessment, taking into account our industry characteristics, business operations, and domestic and international sustainability standards and ESG rating focus areas. We evaluated the materiality of ESG issues from both impact and financial perspectives to identify related risks and opportunities. Our assessment process consists of four steps: (i) analyzing our business environment and identifying key stakeholders; (ii) formulating a list of ESG issues with reference to relevant regulatory codes, industry standards and peer practices; (iii) evaluating the materiality of these issues from both impact and financial perspectives through stakeholder engagement and expert consultation; and (iv) reviewing and finalizing the prioritized issues by taking into account our strategic objectives and development plans.

We have identified following categories of ESG issues that have a significant influence on our business:

- ***Responding to Climate Change:*** With reference to Annex C2 Part D of the Listing Rules and other internationally recognized sustainability disclosure frameworks, we have conducted a detailed analysis of the impact of various climate-related risks and opportunities on our value creation and business model, as well as their transmission pathways. In this regard, we have actively implemented corresponding measures, mainly including: (i) strengthening early warning systems and contingency planning for extreme weather, and organizing regular emergency drills; (ii) conducting carbon inventory and verification, promoting low-carbon operations, improving energy efficiency, expanding renewable energy use and advancing electrification of equipment; (iii) promoting R&D and application of green products, expanding our green product portfolio and implementing product carbon footprint certification; (iv) enhancing cooperation with suppliers to support low-carbon transformation across the supply chain; and (v) carrying out publicity and training on climate change response to foster a green and low-carbon philosophy.
- ***Talent Cultivation and Development:*** Our continued development relies on a sound talent reserve and cultivation system that aligns with our strategic objectives during global business expansion. We focus on building and maintaining a strong pool of critical talent and core technical capabilities to support innovation and R&D, thereby sustaining our long-term growth. We also place emphasis on effective management and well-designed career development pathways to retain high-potential employees and maintain the stability of our

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core technical teams, which enables us to continuously enhance AI applications in our digital marketing business and our pump and pumping system business to support the implementation of our strategies and reinforce our market competitiveness.

- **Data Privacy and Data Security:** We place strong emphasis on data privacy and data security in our operations. To ensure compliance with applicable laws and regulations, we have established data protection measures and continue to enhance information security management. See “Business — Data Privacy and Data Security.”

The pump manufacturing process involves ESG-risks relating to energy consumption. We have established targeted energy management measures:

- Focusing on high-energy-consuming production equipment, optimizing the layout of gas equipment and pipelines, introducing high-efficiency combustion technologies, and conducting regular equipment maintenance;
- Exploring clean energy alternatives to continuously reduce energy consumption in production processes;
- Establishing a dedicated energy management department, further improving energy management systems, clarifying the energy-saving responsibilities of each department and position, and forming a management mechanism of “full participation and accountability”;
- Establishing an interpretation and revision mechanism for the energy management system plan, continuously optimizing management requirements based on regulatory updates, technological developments, and business needs to ensure the adaptability and effectiveness of energy management work;
- Introduce advanced energy management software to achieve real-time energy consumption monitoring and data analysis, improving the accuracy of control; and
- Continuously promote the application of energy-saving equipment such as high-efficiency motors and LED lighting, optimize production processes, promote automated and intelligent production transformation, and reduce electricity waste.

The pump manufacturing process also involves ESG-risks relating to water consumption. We have established and improved our “Water Resources Management System” with the core goal of achieving rational, efficient and sustainable utilization of water resources, and simultaneously promote water environment protection, water pollution reduction and emission reduction, and the safety of water for production and daily life. The Group and its various business segments have implemented water resource management measures to achieve closed-loop management encompassing “demand assessment — process optimization — recycling — risk control”:

- Focusing on the pump production process, promoting circulating water systems, high-efficiency cooling towers, water-saving appliances, and high-efficiency spray systems, while simultaneously optimizing production processes to reduce water consumption in production stages;
- Establishing a comprehensive water quality monitoring system to ensure that production water and wastewater meet national and local standards;
- Constructing a wastewater recycling and treatment system to utilize treated wastewater for non-production purposes such as greening irrigation and site flushing, improving water resource recycling rates;
- Developing emergency plans for water shortages and sudden water pollution incidents to ensure business continuity;
- Strictly abide by relevant laws and regulations on water resources and actively participate in public welfare activities for water resource protection; and

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- Regularly conduct water conservation knowledge training and publicity, encourage employees to put forward suggestions for water conservation improvement, establish a reward mechanism for high-quality suggestions, and strengthen the water conservation awareness of all employees.

Indicators and Targets

To strengthen the integration of our sustainable development strategy with compliance requirements, we collect and analyze quantitative and qualitative data as part of our ESG risk assessment and have established an ESG indicator system covering our core business scenarios. This system, built on substantive issue analysis and tailored to the characteristics of the digital marketing and pump and pumping system industries, enables us to transform ESG issues into measurable and traceable management dimensions, thereby driving continuous improvement in our sustainable performance.

Responding to Climate Change

With the core targets of achieving carbon peak by 2030 and operational carbon neutrality by 2050, we continue to enhance our carbon emission management by conducting annual accounting of greenhouse gas (“GHG”) emissions and strengthening inspections across our value chain. Unlike other competitors in the industry, which have been gradually expanding their Scope 3 GHG accounting categories year by year, we already cover all 14 categories in our 2025 Scope 3 emissions data, backed by third-party verification. This puts us in a leading position when it comes to GHG data transparency and management capability. The following table sets forth the GHG emissions for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
Scope 1 (tCO ₂ e) ⁽¹⁾	3,813.9	4,231.6	3,405.0
Scope 2 (tCO ₂ e) ⁽²⁾	30,605.7	35,252.0	30,550.2
Scope 3 (tCO ₂ e) ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	3,335,823.4 ⁽⁵⁾
Total GHG emissions (tCO ₂ e)	N/A	N/A	3,369,778.6

Notes:

- Refers to direct greenhouse gas emissions from sources that are owned or controlled are accounted for in accordance with Greenhouse Gas (GHG) Protocol and ISO 14064-1:2018.
- Refers to indirect emissions from purchased electricity are calculated using the national average carbon dioxide emission factor for electricity, as specified in Circular No. 47 of 2025 issued by the Ministry of Ecology and Environment of China.
- Refers to other indirect emissions along the value chain, calculated according to the GHG Protocol and domestic accounting standards.
- As we could not measure the Scope 3 GHG emissions generated from some of our activities in 2023 and 2024, 2025 was the first year in which we fully measured and disclosed its Scope 3 GHG emissions.
- In 2025, our Scope 3 GHG emissions covered purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, operational waste, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets and investments.

We continuously enhance our ESG indicator system covering key business scenarios, translating sustainability-related risks and opportunities into measurable and trackable management dimensions, with a view to strengthening our sustainable operational capabilities.

In 2023, 2024 and 2025, we consumed 281,924.7 tonnes, 381,853.7 tonnes and 345,221.6 tonnes of water, respectively. In 2023, 2024 and 2025, we consumed 66.1 million kWh, 76.4 million kWh and 70.3 million kWh of electricity, respectively. With renewable electricity making up 18.1% of our total electricity consumption, a share that continues to increase annually, our green and low-carbon transition performance now stands among the front-runners in the pump and pumping systems industry. Among these, the cumulative electricity consumption from distributed photovoltaic systems amounted to 8.4

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million kWh, 10.0 million kWh and 12.7 million kWh, respectively. Fluctuations in water and electricity consumption during 2024 and 2025 were mainly attributable to rising or falling production volumes in the pump and systems segment.

We have established both short-term and medium-term targets. The short-term target is to achieve, by 2027, a more sustainable low-carbon transportation model, more energy-efficient production/operation processes, and a lower-carbon-intensive product/service system. The medium-term target is to reduce Scope 1 and 2 GHG emissions intensity per unit of revenue by 20% by 2030, using 2025 as the baseline year. Our long-term target is to achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2050.

To achieve these targets, we will implement systematic measures in the following key areas:

- 1. Carbon inventory and verification:** Conduct comprehensive carbon accounting and verification to identify emission sources, understand the Company’s overall carbon footprint, and identify opportunities for emission reduction.
- 2. Energy management and efficiency improvement:** Gradually establish and implement energy management systems at all production sites, deploy energy monitoring and management systems, complete energy-saving upgrades for high-energy-consuming equipment, and promote intelligent and low-carbon transformation and upgrading of production facilities.
- 3. Clean electricity:** Promote the integration of photovoltaic and energy storage at production sites, gradually increase the total self-generated and self-consumed clean electricity, and, where appropriate, purchase green certificates to continuously increase the proportion of clean electricity in our energy mix.
- 4. Transportation electrification:** Gradually electrify logistics vehicles, forklifts, and other vehicles at production sites, and steadily increase the proportion of new energy vehicles in our company fleet.
- 5. Green supply chain:** In conjunction with our SRM system, identify and prioritize suppliers that adopt sustainable materials, processes, and logistics, and gradually establish and implement a sustainable procurement system.
- 6. Promotion of a green low-carbon culture:** Encourage employees to adopt green working practices, such as saving electricity and reducing unnecessary business travel, to establish standardized green working norms.

Employees’ Rights and Benefits

We regard employees as a core resource for our sustainable development and are committed to providing a competitive remuneration and benefits system together with career development support. Pursuant to relevant laws and regulations, we provide our employees with statutory social insurance, paid annual leave, welfare leave, holiday benefits and other supplementary benefits. We have also adopted the *Code of Conduct and Reward and Punishment System for Employees* and the *Management System for the Elimination of Workplace Bullying and Harassment*, which expressly prohibit any form of discrimination, bullying or harassment. In addition, we have established independent reporting channels and designated departments to ensure that complaints are handled in a closed-loop manner.

We advocate diversity, equality and inclusiveness, and ensure that all employees, regardless of gender, enjoy equal pay, benefits and promotion opportunities. We uphold a zero-tolerance approach to discrimination and foster a corporate culture of fairness, diversity and innovation. In 2023, 2024 and 2025, we employed 6,041, 6,243 and 5,967 members of, respectively, of whom 2,475, 2,674 and 2,403 were female, representing 41.0%, 42.8% and 40.3% of our total workforce. Employees from ethnic minority backgrounds accounted for approximately 4.4%, 5.0% and 5.0% of our workforce during the respective periods, while employees with disabilities accounted for approximately 2.0%, 1.5% and

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1.6%. We have maintained a female workforce of over 40% for three consecutive years, significantly above the global manufacturing benchmark, while also sustaining a high level of gender diversity in our digital marketing field. This reflects our strong commitment to promoting gender diversity. We provide them with suitable assignments matching their abilities to improve their quality of life and to fulfill our corporate social responsibility.

We also monitor employee turnover on a regular basis, analyze the reasons for departure and adjust remuneration, benefits and management policies in a timely manner with the aim of reducing attrition and improving employee retention.

Occupational Health and Safety

We regard the health and safety of our employees as fundamental to our long-term success. As of the Latest Practicable Date, we have strictly complied with applicable laws and regulations regarding occupational health and safety. We have established an occupational health management system with internal reporting channels to strengthen occupational health protection. In 2023, 2024 and 2025, we organized 2,715, 4,352 and 1,695 occupational disease examinations, respectively. The fluctuation in 2024 was primarily driven by personnel movement across our manufacturing facilities. During the Track Record Period, we recorded no occupational health hazards and zero occupational disease cases were detected.

We regularly organize occupational health and safety training for all employees. The training content covers policy interpretation, risk identification, operating procedures, and emergency response, ensuring that employees fully grasp the safety requirements for their positions. To guarantee the effectiveness of the training, a strict attendance and assessment mechanism is implemented to ensure 100% training coverage, effectively conveying safety concepts and operational skills to every employee. Our pump and pumping systems business has established an HSE Committee. Starting in 2025, we launched an innovative industry practice of cross-site HSE audits, conducted on a regular and institutionalized basis to strengthen HSE risk management capabilities. These audits cover the business’s main manufacturing sites, while also identifying green best practices that can be rolled out across other sites. Looking ahead, we will further enhance our occupational health and safety management system in line with the latest standards, improve our employees’ environmental and safety competencies, and build a more resilient, green, and safe production foundation.

Supply Chain Management

A sustainable supply chain is a necessary strategic choice for enterprises to address global climate change, mitigate compliance risks, enhance efficiency and build long-term competitiveness. Through the introduction of a Supplier Relationship Management (“SRM”) system, we integrate ESG risk management into the full life cycle of supplier management.

Our key ESG management measures for suppliers include, among others:

- (i) at the sourcing stage, conducting ESG risk scans of suppliers through third-party platforms;
- (ii) at the admission stage, requiring suppliers to sign the *Supplier Code of Conduct* (《供應商行為準則》) and submit to ESG qualification declarations and reviews;
- (iii) at the performance management stage, progressively incorporating ESG indicators into annual assessments;
- (iv) at the development stage, providing training and support to suppliers to strengthen their operational resilience and sustainability capabilities; and
- (v) at the exit stage, terminating cooperation with suppliers that are found to have committed serious violations of the *Supplier Code of Conduct*.

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Product Responsibility

We place strong emphasis on compliance, product responsibility and service quality across both our business segments. For the digital marketing business, we strictly comply with advertising laws and have established a full-process review mechanism to ensure that promotional content is authentic, legal and not misleading, supported by training and technical measures to prevent excessive advertising, false clicks and harassing practices, thereby providing customers with safe and reliable digital marketing services. For the pump and pumping system business, we regard product quality and safety as our core responsibilities, continuously improving our quality management system and product testing capabilities, with the clear objective of incurring no penalties relating to products and services. During the Track Record Period, we strictly complied with applicable laws and regulations, recorded no product recalls due to safety reasons and no penalties for violations of laws and regulations, reflecting our strong commitment to product responsibility and compliance.

Waste Management

During the Track Record Period, we strictly complied with applicable laws and regulations on wastewater discharge, air emissions and solid waste disposal, and increased investment in environmental protection by upgrading waste gas treatment systems, enhancing wastewater treatment capacity and improving solid waste recycling. We established internal systems such as the *Management System for Solid Waste* (《固廢管理制度》), the *Procedures for the Management and Control of Hazardous Waste* (《危險廢物管理控制程序》), the *Procedures for the Prevention and Control of Air Pollution* (《大氣污染防治控制程序》) and the *Procedures for the Management and Control of Wastewater* (《廢水管理控制程序》), and obtained ISO 14001 environmental management system certification. In 2023, 2024 and 2025, we generated 673.5 tons, 783.8 tons and 761.1 tons of hazardous waste, respectively, all of which were disposed of through qualified third parties. In addition, in our supply chain management, we conduct ESG risk scans through third-party platforms during sourcing to identify and exclude suppliers with a record of non-compliance. The Company targets to achieve a 100% compliant disposal rate for hazardous waste by 2030, and continue to maintain a recycling and reuse rate of no less than 90% for general solid waste.

Data Privacy and Data Security

We place strong emphasis on information security and privacy protection, especially in terms of our digital marketing business, with the core objective of building a resilient defense system aligned with our business development to ensure compliance with applicable data privacy regulations and to prevent significant data leaks or operational disruptions. We have established management frameworks based on the ISO 27001 information security management system and obtained system certification, and during the Track Record Period we did not record any breach of information security regulations resulting in material financial or reputational loss. In the digital marketing business, we manage advertising data in a standardized manner, minimize the collection of customer information and strictly adhere to privacy commitments, supported by policies and regulations covering access control, business continuity and supplier information security. In the pump and pumping system business, we have adopted comprehensive management systems to safeguard the security, integrity and availability of information, networks and industrial control systems, while strengthening personal information compliance through internal management measures, thereby systematically protecting intellectual property and confidential information.

Business Ethics

We adopt a zero-tolerance approach towards corruption and are committed to preventing and eliminating all forms of fraud and unethical practices through well-established internal and external reporting channels. In accordance with the relevant laws and regulations of the places where we operate and the countries in which our products are marketed, we progressively improve our business ethics and internal management policies. These policies include, but are not limited to, employee conduct, integrity management principles, conflict of interest management, anti-monopoly and fair competition, intellectual property and commercial confidentiality.

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We have adopted the *Management System of LEO Group for Anti-Fraud and Complaint Reporting* (《利歐集團反舞弊與投訴舉報管理制度》), which provides clear definitions of fraudulent behavior, establishes whistleblowing hotlines and dedicated reporting channels, and sets out detailed policies and procedures for handling reports, including reward mechanisms for whistleblowers. In addition, we have promulgated the *Integrity and Self-Discipline Commitment* (《廉潔自律承諾書》) to further standardize employee conduct and strengthen supply chain compliance, thereby reinforcing internal controls and ensuring the effective implementation of our management initiatives.

SEASONALITY

Our digital marketing business and pump and pumping system business are subject to certain seasonal fluctuations. For our digital marketing business, seasonality is largely influenced by key promotional events launched by advertisers, such as the e-commerce industry’s *Double 11* and *618* shopping festivals, and the *818* promotional event in the automotive sector. For our pump and pumping system business, seasonality is driven by variations in customer demand. For example, sales of hydraulic engineering products peak during rainy seasons due to increased needs for water management solutions, while domestic booster pumps and water supply systems experience higher demand in summer months as elevated temperatures lead to rising household water consumption. Consequently, the demand for our digital marketing services and our pump and pumping system products and solutions, may fluctuate across different periods within a year.

COMPETITION

We primarily compete digital marketing industry and pump and pumping system industry, both of which are highly competitive. Driven by rapid technological advancements and diverse customers’ demands, both industries have continued to develop in recent years and are expected to grow rapidly in the future.

Our competitive strengths derive from our extensive industry track record, strong market standing and solid R&D capabilities. Our leadership position has been reinforced by our global footprint, diversified product offerings, trusted customer relationships, technological know-how and forward-looking management team. Therefore, we believe that we are well-positioned to maintain our leadership position and to capture future opportunities in the digital marketing industry and pump and pumping system industry.

See “Industry Overview.”

INSURANCE

We consider our insurance coverage adequate and in accordance with the commercial practices in the industries where we operate. Our assets, employee safety and other applicable risks are covered by commercial insurance including product liability insurance, accident insurance, property insurance, transportation insurance and liability insurance for senior management personnel. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance program to align with our needs and industry practices.

However, our insurance policies may not cover all potential risks, and there can be no assurance that we will not experience losses or claims beyond the scope or limits of such coverage. See “Risk Factors — We may be subject to risks associated with our products and may lack sufficient insurance coverage for such claims. We may not be able to obtain adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.”

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EMPLOYEES

As of December 31, 2025, we had a total of 5,967 employees, most of whom were based in PRC. The following table sets forth the number of our employees by function as of the same date.

Function	Number of employees	% of the total employees
Management.	466	7.8
Production	1,907	32.0
Sales and marketing	1,285	21.5
R&D	736	12.3
Administration and finance	836	16.2
Operation optimizers and marketing content creators	604	10.1
Total	5,967	100.0

We recruit employees primarily through referrals, headhunters, online job portals and campus job fairs. We offer new employee orientation training and regular on-the-job training to our employees. We and our employees enter individual employment contracts covering matters including salary, bonuses, employee benefits, confidentiality obligations, non-compete clauses, work product and intellectual property transfer clauses and reasons for contract termination. The remuneration packages of our employees include salary and bonuses, which are usually determined based on their seniority, performance appraisal and term of service. We also provide share incentives and promotion opportunities to motivate our employees.

Social Insurance and Housing Provident Fund Contributions

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees strictly in compliance with the applicable PRC laws and regulations. The shortfall in our contributions with respect to social insurance and housing provident fund during the Track Record Period amounted to RMB5.8 million and RMB1.2 million, respectively.

Under the applicable PRC laws and regulations, an employer that fails to make social insurance contributions in full and on time may be ordered by the relevant authorities to make up the outstanding contributions within a prescribed time limit, and a daily late payment surcharge of 0.05% per day may be imposed from the date of default. If payment is still not made within the prescribed time limit, the relevant authority may additionally impose a fine of not less than one time but not more than three times the outstanding amount. Further, an employer that fails to make housing provident fund contributions in full or on time may be ordered by the relevant housing provident fund management center to make such contributions within a prescribed time limit, and if it fails to do so, the relevant housing provident fund management center may apply to the People’s Court for compulsory enforcement.

We do not consider the above non-compliance to be material for the following reasons: (i) based on the relevant credit reports issued in respect of our Company and our principal subsidiaries in the PRC, there was no record during the Track Record Period of any administrative penalty being imposed on us or our principal subsidiaries by the relevant authorities in relation to such non-compliance; (ii) according to the relevant PRC policy notices, local authorities are prohibited from organizing centralized recovery of historical unpaid social insurance contributions from enterprises on their own initiative during the reform of the social insurance premium collection regime; (iii) under the PRC Administrative Penalty Law and the Regulations on Labor Security Supervision, administrative penalties or investigations are generally subject to statutory limitation periods; (iv) based on telephone consultations conducted by our PRC Legal Advisors with the relevant competent authorities regarding our Company and certain principal subsidiaries, during the Track Record Period, such entities were not involved in any material complaint, report, group dispute or other significant dispute relating to social insurance or housing provident fund contributions; (v) our Company and certain of our principal

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subsidiaries in the PRC have obtained compliance letters issued by the competent local social insurance authorities and housing provident fund authorities; (vi) we have undertaken that, if the competent authorities require us to rectify such non-compliance or to make up the outstanding social insurance contributions or housing provident fund contributions in the future, we will actively cooperate with such authorities and fulfill our relevant obligations.

Our PRC Legal Advisors are of the opinion that the risk that we will be subject to active recovery of the outstanding amounts or material administrative penalties by the relevant authorities in respect of the above non-compliance is relatively low. Based on the above factors, we did not make provision for such outstanding contributions and potential penalties.

We are taking actions to rectify such non-compliance, and we expect to achieve full coverage of social insurance and housing provident fund for our employees by October 2027.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor disputes or strikes that could have a material and adverse effect on our business, financial condition, or results of operations.

PROPERTIES

Owned Properties

Our headquarters office is located in Shanghai. We own and lease properties in China and overseas. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

As of the Latest Practicable Date, we owned the land use rights of 25 parcels in China which are material to us. These parcels are designated for industrial use, with an aggregate site area of approximately 2.0 million sq.m.. All of these 25 land parcels have been granted land use right certificates. As of Latest Practicable Date, we owned 25 properties in China which are material to us. These parcels are designated for production and operations, with an aggregate GFA of approximately 442,747 sq.m.. As at the Latest Practicable Date, we had obtained the real estate certificates for such 25 properties.

Leased Properties

As of the Latest Practicable Date, we leased 18 properties which are material to us for our primary business activities across China. These leased properties have an aggregate GFA of approximately 78,132 sq. m. and are used as our offices for production, or for a combination of purposes.

Our lease agreements in respect of the abovementioned 18 leased properties generally have expiration dates ranging from July 2026 to October 2030. We plan to renew our leases or negotiate new terms when the existing leases expire. All lessors are Independent Third Parties. We did not experience material difficulties in negotiating the renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is a sufficient supply of such properties in China.

Pursuant to the applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development. As of the Latest Practicable Date, among the above 18 lease properties, (i) we had not completed lease registration for three properties we leased from third parties for office use in China. As obtaining lease agreement registration requires the cooperation from our lessors, which is beyond our control, we were not able to obtain so as of the Latest Practicable Date; and (ii) we had not completed lease registration

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for certain intra-group property leases. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements, nor materially and adversely affect the operations of our Company and the Group.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention.

During the Track Record Period and up to the Latest Practicable Date, we were involved in one ongoing litigation related to investment dispute and had obtained initial judgment in our favor which is now in appeal, and one litigation related to the same investment dispute where the court had granted our motion to dismiss (with leave to amend) as of the Latest Practicable Date. Other than that, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions. For more information about the laws and regulations applicable to us, please see “Regulatory Overview.”

BUSINESS ACTIVITIES RELATING TO SANCTIONED COUNTRIES

The U.S. and other jurisdiction or organizations, including the European Union, the UK and other relevant sanctions authorities, have, through executive order, passing of legislation or other governmental means, implemented International Sanctions targeting entities and individuals including Sanctioned Targets, entities and individuals that are nationals of or located in certain Sanctioned Countries, and entities and individuals that are associated with certain industries or sectors in specific countries.

During the Track Record Period, we had sales and deliveries of pumps and pumping systems to customers located in jurisdictions affected by International Sanctions, in particular, Iran, Syria, Russia, Belarus, and Venezuela. Among the Relevant Regions, Iran and Syria are subject to comprehensive U.S. economic sanctions. Russia, Belarus, and Venezuela are not currently subject to comprehensive U.S. economic sanctions, but a significant number of entities, individuals, and industries in Russia, Belarus, and Venezuela are subject to U.S. economic sanctions.

Sanction Risks

U.S. Sanctions

Primary sanction risk

During the Track Record Period, we have made sales of pump and pumping systems to customers located in Iran and Syria through our subsidiaries, which are subject to comprehensive U.S. economic sanctions. Such sales to Iran and Syria include sales denominated in RMB and other currencies. However, we received payments from Iran USD Sales and Syria USD Sales. As advised by our International Sanctions Legal Advisor, such USD-denominated transactions in relation to Iran and Syria violated U.S. primary sanctions laws that prohibit the use of U.S. financial system for this type of trade

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with Iran or Syria. It is worth noting that non-USD sales to customers in Iran and Syria will not violate the U.S. primary sanctions laws because none of the transactions involve any sanctioned person or U.S. nexus (e.g., no U.S. Persons or U.S.-origin items are involved, and the sales are not denominated in U.S. currency).

The U.S. government has issued Syria General License 25 on May 23, 2025, authorizing transactions prohibited by the Syrian Sanctions Regulations or involving certain blocked persons, and has officially removed U.S. sanctions on Syria on June 30, 2025, which means the USD-denominated transactions in relation to Syria will no longer be in violation of U.S. primary sanctions laws after such date if no SDN List entities are involved. However, such USD-denominated transactions in relation to Syria prior to May 23, 2025 still constitute violations and will be enforced by OFAC.

Transactions without a U.S. nexus, including non-USD sales to customers in Iran and Syria, do not violate U.S. primary sanctions laws. Our exposure to primary sanctions risks stems from the USD-denominated transactions. If such transactions were conducted in non-USD currencies, we would not be subject to primary sanctions, though it could still give rise to secondary sanctions risks if SDN-listed entities or sanctioned sectors are involved in the transactions. The payments received during the Track Record Period for USD-denominated transactions in relation to Iran USD Sales and Syria USD Sales were in an aggregate amount of approximately US\$22.75 million, approximately 0.2% of our aggregated revenue for the Track Record Period.

After consulting with our International Sanctions Legal Advisors, we made an initial notification of VSD to OFAC on September 26, 2025 and a comprehensive VSD report to OFAC on April 29, 2026 related to the Iran USD Sales and the Syria USD Sales. Such VSD was already acknowledged by OFAC.

According to the base penalty matrix specified under the OFAC Enforcement Guidelines, the cases where the apparent violation is disclosed through a VSD can result in a 50 percent reduction in the base amount of a proposed civil penalty. In a non-egregious case, the base penalty amount applicable to our Group would be one-half of the transaction value, capped at a maximum base amount of USD 188,850 per violation (i.e., per USD wire transfer), except where the statutory maximum penalty applicable to the apparent violation is less than USD 377,700, in which case the base amount of the proposed civil penalty shall be capped at one-half the statutory maximum penalty applicable to the apparent violation; in an egregious case, the base penalty amount applicable to our Group would be one-half of the applicable statutory maximum penalty applicable to the violation. However, whether our case shall be deemed egregious or not is subject to the discretion of OFAC. As advised by our International Sanctions Legal Advisor, in practice, OFAC is unlikely to impose a civil penalty greater than the transaction value in cases where a VSD is filed, and OFAC may impose a civil penalty that is significantly lower than 50 percent of a proposed civil penalty, or even close its investigation without taking further action during a negotiated settlement process by considering mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC.

As advised by our International Sanctions Legal Advisor, self-disclosing potential violations can provide significant mitigation of civil or criminal liability, the extent of which depends on the agency, but may extend so far as a non-prosecution agreement or a reduction of 50 percent in the base penalty amount for civil or criminal penalties. As such, our submission of VSD has cut off the primary sanctions risks, regardless of the materiality of the risks arising from such Iran USD Sales and Syria USD Sales. Therefore, these USD-denominated transactions in relation to Iran and Syria conducted by the Group will not result in any material sanctions risks.

Soon after receiving advice from our International Sanctions Legal Advisors, our Group ceased the then existing Iran USD Sales and Syria USD Sales which were subject to comprehensive sanctions immediately in September 2025. Since September 2025, we have ceased all business activities in connection with Iran and Syria, which are subject to comprehensive sanctions.

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Secondary sanctions risk

The U.S. has enacted secondary sanctions targeting non-U.S. persons who are engaged in dealings with certain types of sectors in Iran, Russia and Belarus based on several Executive Orders, such as E.O. 13590, E.O. 13846 and E.O.13902 targeting Iran, E.O. 13662 and E.O. 14024 targeting Russia, and E.O. 14038 targeting Belarus.

The sale of products to Iran by the subsidiaries might be considered as operating in the sanctioned energy, construction, mining, and manufacturing sectors of the Iranian economy, and therefore expose us to secondary sanction risks. Considering that no counterparty in Iran has been designated on the SDN List, and we have terminated the sales business to Iran, our exposure to secondary sanctions risks under the Iranian sanctions regime remains relatively limited in the foreseeable future.

The sale of products to Russia by the subsidiaries and our establishment of the subsidiary in Russia might be considered as operating in the sanctioned architecture, engineering, construction, metals and mining, energy, and manufacturing sectors of the Russian economy, and therefore expose us to secondary sanction risks. Considering that no counterparty in Russia has been designated on the SDN List, our exposure to secondary sanctions risks under the Russian sanctions regime remains relatively limited in the foreseeable future.

The sale of products to Belarus by the subsidiary might be considered as operating in the sanctioned energy and construction sectors of the Belarus economy, and therefore expose us to secondary sanction risks. Considering that no counterparty in Belarus has been designated on the SDN List, our exposure to secondary sanctions risks under the sanctions regime for Belarus remains relatively low in the foreseeable future.

Besides, the U.S. has also enacted secondary sanctions targeting Syria and Venezuela.

In terms of Syrian-related transactions, considering that no counterparty in Syria has shown relationship with the government of Syria or has been designated on the SDN List and the U.S. government has removed U.S. sanctions on Syria on June 30, 2025, our exposure to secondary sanctions risks under the Syrian sanctions regime should be remote in the foreseeable future.

In terms of Venezuelan-related transactions, our commercial pumps can be applied in the energy sector of the Venezuelan economy by its customers. Considering that no counterparty in Venezuela has shown relationship with the government of Venezuela or Petroleos de Venezuela, S.A. (a key player in the oil sector and has been designated on the SDN List), or has been designated on the SDN List, our exposure to secondary sanctions risks under the Venezuelan sanctions regime should be remote in the foreseeable future.

However, as advised by our International Sanctions Legal Advisor, if we continue the sales business in Syria, Russia, Belarus and Venezuela while any counterparty in such Relevant Regions becomes designated on the SDN List in the future, our exposure to secondary sanctions risks would correspondently increase. As such, our Directors have decided to cease all the sales now and any future business activities relating to Iran, Syria, Russia, Belarus and Venezuela against which secondary sanctions may be imposed after we wind down the ongoing dealings. We have already ceased new orders relating to Iran, Syria, Russia, Belarus and Venezuela against which secondary sanctions may be imposed and have initiated the wind-down of all existing orders.

European Union, U.K. and United Kingdom overseas territories

Upon the advice of our International Sanctions Legal Advisors, our activities (excluding our EU and UK subsidiary) have no nexus with the EU and UK, in addition, as no counterparties of the company are sanctioned by the EU and UK, the EU and UK sanctions shall not be applicable to the company. And our EU and UK subsidiaries have no activity with any Sanctioned Trader or Sanctioned Country, therefore do not trigger the prohibitions or wider restrictions adopted by the EU and the UK.

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Our Undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

- we will implement the internal control measures to minimize International Sanctions risk as described above;
- we will not use the [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Regions or any other government, individual or entity sanctioned by the United States, the European Union, or the U.K., including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, or the U.K.;
- we will not use the [REDACTED] from the [REDACTED] to pay any damages for terminating or transferring any contract that violates International Sanctions;
- we will not undertake any future business that would cause us, the Stock Exchange, [REDACTED], [REDACTED], Joint Sponsors, our Shareholders, or [REDACTED] to violate or become a target of sanctions laws of the United States, the European Union, or the U.K.;
- we will make timely disclosure on our website if we believe that any of our business activities would put us or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, or the U.K.; and
- we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, and the U.K., and our business intention relating to customers from any such country.

Our Internal Control Measures to Minimize International Sanctions Risk

We have enhanced internal control and risk management measures which we believe enable us to better monitor and evaluate our business and to address economic sanctions risks.

Our International Sanctions Legal Advisor is of the view that, these measures are consistent with guidance published by OFAC regarding sanctions compliance programs, and are adequate and effective for us to comply with applicable International Sanctions laws and to address sanctions risks.

- We have adopted a Trade Compliance Policy for the purposes of complying with applicable International Sanctions on November 18, 2025.
- Our Trade Compliance Policy has included appropriate procedures:
 - o identify the sanctions regimes currently in place in various countries and assess the degree of risk associated with conducting business in or with sanctioned countries;
 - o establish a robust screening mechanism to identify whether transaction counterparties are listed on the Restrictive Lists maintained, announced or issued by the United Nations Security Council or the competent authorities of the major judicial jurisdictions, including without limitation the Relevant Jurisdiction. The results of the screening will enable us to assess the extent of legal, commercial, or reputational risks and determine appropriate measures to mitigate such risks. The process is designed to avoid any violation of primary sanctions; any transaction identified to be involved or will be involved secondary sanction risks will be escalated to the Sanctions Oversight Committee for evaluation and approval;

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- o closely monitor the existing business activities relating to Iran, Syria, Russia, Belarus and Venezuela against which secondary sanction may be imposed, and ensure that no further business activities will be carried out;
 - o stipulate that if any proposed business involves a country/region subject to comprehensive sanctions, such business must be escalated to the Sanctions Oversight Committee for evaluation and approval;
 - o define a clear protocol for action in the event of a potential violation. If any non-compliant activity is detected, we will immediately cease the transaction and escalate to the Sanctions Oversight Committee. Notify the Relevant Jurisdiction as appropriate and take remedial measures;
 - o continuously monitor for any changes in relevant laws and regulations maintained, announced or issued by the Relevant Jurisdiction and update our Trade Compliance Policy promptly so that it remains current and fully effective;
- We will establish a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy.
- The Sanctions Oversight Committee will be authorized to engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers. Furthermore, We will periodically retain independent external sanctions experts to audit our Trade Compliance Policy and relevant internal control measures, verifying their ongoing adequacy and effectiveness.
- The Sanctions Oversight Committee will be authorized to arrange appropriate compliance training for our Directors, our senior management, and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.
- We will open and maintain separate bank account(s) which is/are designated for [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual, or entity sanctioned by the United States, the European Union, or the U.K.

With regard to the internal control measures set out above, subject to the planned full implementation and enforcement of the above measures, our Directors and the Joint Sponsors, after taking into account the view of our International Sanctions Legal Advisors, are of the view that these measures will provide an adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions laws.

INTERNATIONAL TRADE

Tariffs

During the Track Record Period, we procured certain U.S.-origin commodities in 2023 and no subsequent procurement has occurred thereafter to date. The evolving changes of the U.S. tariff policies commencing from 2025 have no impact on our procurements.

During the Track Record Period, we exported pump products into the United States, with a transaction amount of approximately RMB81.3 million, RMB83.1 million and RMB61.1 million in 2023, 2024 and 2025, respectively, accounting for 0.3970%, 0.3924%, and 0.3049% of our total revenue respectively in each of the corresponding years. 301 duty rate (25%) has been applied on our products exported from China into the United States in 2023, 2024 and 2025. Tariffs related to fentanyl rate

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(10%) and reciprocal tariffs rate (10%) have been applied on our products exported from China into the United States in 2025. However, such tariffs related to fentanyl (10%) and reciprocal tariffs (10%) have been terminated and will be refunded in 2026. Besides, the tariffs incurred on our products exported to the United States should be primarily borne by the purchasers in the transaction (except for sales on online retail platform). Furthermore, while U.S. tariff fluctuations have led some customers to reduce procurement, resulting in a decline in our income from sales to the United States in 2025, our exports to the United States constitute a negligible share of total revenue, and thus the overall impact is not material.

After consulting with our International Sanctions Legal Advisor, our Directors confirm, and the Joint Sponsors concur, that the enhanced U.S. tariffs have had no material adverse impact, directly or indirectly, on our business operations and financial performance.

Export Control

During the Track Record Period, four of our customers were listed on the Entity List maintained by the U.S. Department of Commerce’s Bureau of Industry and Security, with two customers designated under footnote 1 and one customer designated under footnote 4. We sold pumps to an Entity List designee without footnote in 2025, with the transaction amount of approximately RMB 5,200. Besides, we provided advertising services for entity list designees with footnote 1 and footnote 4. The transaction amount was in total of approximately RMB105.4 million, RMB126.9 million, and RMB159.1 million in 2023, 2024 and 2025, respectively, accounting for 0.5150%, 0.5995%, and 0.7932% of our total revenue respectively in each of the corresponding years. As advised by our International Sanctions Legal Advisor, our sales of products to BIS entity list designees without footnote designation were not subject to the Export Administration Regulations (“EAR”). Furthermore, we merely provided advertising services for footnote 1 and footnote 4 designated entities and such transactions did not involve the transfer of any items subject to the EAR. The export control restrictions were inapplicable to our products and services. Our transactions with such designees had no impact on our business operations. Our International Sanctions Legal Advisor is of the view that transactions with such customers did not violate the EAR.

During the Track Record Period, certain of our suppliers were listed on the BIS entity list, with some designated with footnote 1 and footnote 4. Given that (i) the BIS expressly explained that a person’s inclusion on the BIS entity list does not create a prohibition on purchases from that person; (ii) we did not proceed with any transactions with knowledge that a violation had occurred or was about to occur; and (iii) we did not provide or transfer any items subject to the EAR to such suppliers, our International Sanctions Legal Advisor is of the view that transactions with the suppliers did not violate the EAR.

INTERNAL CONTROL AND RISK MANAGEMENT

We are subject to a variety of risks in the course of our business operations. In response, we have established a comprehensive framework of internal control and risk management policies and procedures designed to mitigate operational, financial, legal, and market risks identified across our activities. These mechanisms are regularly reviewed and updated to maintain their relevance and effectiveness. Our internal controls encompass procurement and production management, as well as continuous monitoring of sales performance and product quality.

In order to ensure sustained adherence to our risk management policies and corporate governance standards following the [REDACTED], we have implemented, or intend to continue implementing, the following risk management measures, including but not limited to:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management — Board Committees — Audit Committee;”
- adopt policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

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- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong;
- ensure segregation of duties by clearly defining roles within financial and accounting management, as well as other departments, to prevent compliance issues such as conflicts of interest and fraud;
- promote a culture of ethical compliance through anti-corruption, anti-bribery, and anti-fraud policies and measures;
- embed internal control procedures within our insurance, claims, and risk management policies to proactively identify and mitigate potential threats; and
- conduct periodic reviews and internal audits, as part of our compliance management system, to continuously assess the effectiveness of our internal controls.

We have established internal control measures to ensure that content disseminated through our digital marketing services is compliant with the relevant laws and regulations. These measures include: (i) establishing a pre-publication compliance review mechanism; (ii) regularly providing regulatory training to marketing personnel; (iii) conducting random spot checks and audits of published content; and (iv) updating internal control systems in a timely manner in response to changes in laws and regulations.

Third-Party Payment Arrangements

Background

During the Track Record Period, we accepted payments made on behalf of certain customers (the “**Relevant Customer(s)**”) through the accounts of third-party payors designated by the Relevant Customers (the “**Third-Party Payment Arrangement(s)**”). To the best of our knowledge, the third-party payors designated by the Relevant Customers primarily include the Relevant Customers’ affiliated group companies, legal representatives, shareholders, employees, and business partners and all designated third-party payors are independent from each of our Directors, senior management, and Single Largest Shareholder Group.

The table below sets forth the number of Relevant Customers, the transaction amount and percentage of total revenue for each year in the Track Record Period by business segment and type of customer. No individual Relevant Customer had made a material contribution to our revenue during the Track Record Period.

	2023	2024	2025
Digital marketing			
Number of customers making payments			
through third parties	53	45	9
Amount (RMB million).	28.1	97.4	26.7
Percentage of total revenue for the same			
period.	0.10%	0.50%	0.10%
Pump and pumping system			
Direct sales			
Number of customers making payments			
through third parties.	32	42	46
Amount (RMB million).	25.3	9.6	10.4
Percentage of total revenue for the same			
period	0.10%	0.00%	0.10%

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	2023	2024	2025
ODM/OEM			
Number of customers making payments through third parties	11	13	23
Amount (RMB million)	13.9	33.3	14.1
Percentage of total revenue for the same period	0.10%	0.20%	0.10%
Distributors			
Number of customers making payments through third parties	29	31	58
Amount (RMB million)	186.5	219.1	225.7
Percentage of total revenue for the same period	0.90%	1.00%	1.10%
Total			
Number of customers making payments through third parties	125	131	136
Amount (RMB million)	253.8	359.4	276.9
Percentage of total revenue for the same period	1.20%	1.70%	1.40%

Reasons

To the best of our knowledge, the use of the Third-Party Payment Arrangements primarily stems from the following reasons:

- (i) Industry practice. According to Frost & Sullivan, it is a common commercial practice for customers, for various reasons, to settle payments through third-party payers.
- (ii) Centralized arrangements in the ordinary course of business. As certain Relevant Customers may have their payments centrally arranged by their respective groups, there may be situations where other companies within the same groups made payments on their behalf.
- (iii) Payment convenience. Certain Relevant Customers were small- or medium-sized enterprises. As confirmed by Frost & Sullivan, for convenience, they typically settled payments through the personal bank accounts of their respective legal representatives, shareholders, ultimate beneficial owners, business partners and/or employees.

Implications relating to Third-Party Payment Arrangements

During the Track Record Period, our Directors confirm that (i) we had not proactively initiated any Third-Party Payment Arrangements or participated in any of such arrangement in other forms, (ii) we had not provided any discount, commission, rebate, or other benefit to any of the Relevant Customers to facilitate or incentivize the Third-Party Payment Arrangements, (iii) the pricing and payment terms of the agreements we entered into with the Relevant Customers were generally in line with customers not involved in the Third-Party Payment Arrangements under similar scenarios, and (iv) the Third-Party Payment Arrangements have been recorded completely and accurately in our accounting books and records in all material respects.

To the best of our knowledge, we were not the subject of any investigations, enquiries, penalties, or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any refund requests, actual or pending disputes or disagreements due to Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

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As advised by our PRC Legal Advisors, (i) the Third-Party Payment Arrangements did not contravene the mandatory provisions of the PRC Civil Code (《中華人民共和國民法典》) or other applicable PRC laws and regulations currently in force; (ii) in respect of Relevant Customers and their designated third-party payers who have provided duly executed payment authorization agreements or letters of undertaking, or for whom payment authorization information has been obtained, the risk of the Company being required to refund funds to such Relevant Customers or their designated third-party payers solely by reason of the Third-Party Payment Arrangements is low; (iii) the likelihood of the Company being subject to any administrative penalties for violation of PRC laws and regulations relating to tax evasion due to the existence of Third-Party Payment Arrangements established out of necessity and commercial reasonableness is low; and (iv) the risk of the Company being considered to have committed the crime of money laundering under Article 191 of the PRC Criminal Law (《中華人民共和國刑法》), which involves concealing or disguising the source and nature of proceeds or gains, due to the existence of Third-Party Payment Arrangements established out of necessity and commercial reasonableness, is low. Based on the above PRC Legal Advisors’ view and independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to cast doubt on the PRC Legal Advisors’ view stated above.

Enhanced Internal Control Measures and Remedial Measures

To safeguard our interests from risks associated with the Third-Party Payment Arrangements, since September 2025, we have substantially strengthened and implemented various internal control measures (collectively, the “**Remedial Measures**”) to rectify such arrangements. Our efforts in this regard included, among others:

- (i) we have initiated the implementation of series of rectification measures regarding third-party payment and relevant enhanced internal control measures and informed our employees for the relevant details of those measures;
- (ii) we have revised our standard contracts to clearly stipulate the obligations of all parties, and expressly provided that all payment transactions may only be made (a) through the accounts of the contracting parties; and (b) through designated treasury accounts of central or local governments;
- (iii) we have updated our management policies to further set out the rules governing third-party payment arrangements and to prohibit third-party payments; and
- (iv) we have established internal policies on anti-money laundering, which require our employees to conduct reasonable due diligence on all counterparties (including their business nature, business models and ownership structures) and proposed transactions, to identify potential anti-money laundering risks.

We conduct periodic reviews of the effectiveness of the Remedial Measures and promptly address any irregularities. Based on the review of the implementation of the Remedial Measures, our Directors are of the view that such measures are effective and adequate in identifying the sources of funds from the Relevant Customers, ensuring the accuracy and completeness of our accounting books and records and preventing risks associated with Third-Party Payment Arrangements, including money laundering risks, tax evasion risks or other risks relating to violation of applicable laws and regulations. Based on the above Directors’ view and independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ view stated above. We will continue to monitor the effectiveness of these measures.

We have terminated all Third-Party Payment Arrangements as of the Latest Practicable Date. We believe that this termination has not had, and will not have, a material adverse effect on our business, given that revenue generated from the Third-Party Payment Arrangements represented an insignificant

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percentage of our total revenue during the Track Record Period. Regarding the risks relating to the Third-Party Payment Arrangement, see “Risk Factors — Risks Relating to Our Business in general — We face risks in connection with Third-Party Payment Arrangements.”

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects from the relevant government authorities in jurisdictions where we operate, and such licenses, permits, approvals and certificates remained in full effect.

The following table sets forth the material licenses, permits, approvals and certificates held by our Major Subsidiaries as of December 31, 2025.

No.	Relevant Major Subsidiary	Name of License, Permit, Approval or Certificate	License, Permit, Approval or Certificate Number	Expiry
1	Leo Digital	Value-Added Telecommunications Business Operation Permit (Information Services)	滬B2-20220083	January 21, 2027
2	Our Company.	Registration of Consignee and Consignor of Imported and Exported Goods	3311961208	Indefinite term
3	Leo Group Pump (Zhejiang) Co., Ltd.	Customs Registration Certificate for Consignee and Consignor of Imported and Exported Goods	3311961A7R	Indefinite term
4	Leo Group Pump (Zhejiang) Co., Ltd.	Pollutant Discharge Permit	91331081MA28G57030001X	August 8, 2029
5	Leo Group Pump (Zhejiang) Co., Ltd.	Pollutant Discharge Permit	91331081MA28G57030002V	November 19, 2029
6	Leo Group Pump (Hunan) Co., Ltd.	Registration of Consignee and Consignor of Imported and Exported Goods	4303960341	Indefinite term
7	Leo Group Pump (Hunan) Co., Ltd.	Pollutant Discharge Permit	91430300722589179Y001W	November 24, 2026
8	Leo Group Pump (Hunan) Co., Ltd.	Urban Drainage Network Sewage Discharge Permit	41111字第0350號	July 7, 2028
9	Liongate Semiconductor. . . .	Pollutant Discharge Registration Certificate	91310117MA1J4LXU0D001X	May 8, 2031
10	Liongate Semiconductor. . . .	Registration of Consignee and Consignor of Imported and Exported Goods	3118960BDU	Indefinite term
11	Liongate Microelectronics (Wenling) Co., Ltd.	Pollutant Discharge Registration Certificate	91331081MACHJT9A6B001Y	August 13, 2029

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No.	Relevant Major Subsidiary	Name of License, Permit, Approval or Certificate	License, Permit, Approval or Certificate Number	Expiry
12	Liongate Microelectronics (Wenling) Co., Ltd.	Registration of Consignee and Consignor of Imported and Exported Goods	331194294G	Indefinite term
13	Liongate Microelectronics (Wenling) Co., Ltd.	Radiation Safety Permit	浙環輻證[J2507]	June 16, 2029
14	Leo Group Pump Technology Co., Ltd.	Registration of Consignee and Consignor of Imported and Exported Goods	33012609A0	Indefinite term

AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions for digital marketing business we received as of the Latest Practicable Date.

Award/Recognition	Award Year	Awarding Institution/Authority
Top 1 Digital Marketing Company Ranking of the Year 2023 to 2025 (數字營銷公司排行榜TOP1)	2023–2025	CAS “China Internet Weekly” (中科院《互聯網週刊》)
Top 10 High Quality Development Creative Cases of Shanghai Digital Advertising Industry (上海市數字廣告業高質量發展創新案例TOP10)	2025	Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局)
Comprehensive Service Provider of the Year 2023 to 2025 (2023-2025年度綜合服務商)	2023–2025	Tiger Roar Award Committee (虎嘯獎組委會)
2023 Digital Media Innovator of the Year (2023年度最佳數字媒體創新公司)	2023	Campaign Asia
China International Advertising Festival Great Wall Award — Integrated Marketing Company of the Year 2023 (中國國際廣告節長城獎 — 2023年度整合營銷公司)	2023	China Advertising Association (中國廣告協會)
Cannes Lions Shortlisted — Film/ Online Film: Automotive (坎城獅子獎入圍 — 電影/線上影片：汽車)	2023	Cannes Lions International Festival of Creativity

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The following table sets forth major awards and recognitions for pump and pumping system business we received as of the Latest Practicable Date.

Award/Recognition	Award Year	Awarding Institution/Authority
National Science and Technology Progress Award — Second Class — Key Technologies and Engineering Applications for Centrifugal Pumps under Complex and Variable Conditions (國家科學技術進步獎 — 二等 — 複雜多變工況離心泵關鍵技術及工程應用)	2024	The State Council of the People’s Republic of China (中華人民共和國國務院)
National 5G Factory — 5G+ Digital Twin Intelligent Factory (國家級5G工廠 — 5G+數字孿生智能工廠)	2024	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
National “Specialized, Refined, Distinctive, and Innovative” Little Giant Enterprise (國家級專精特新小巨人企業)	2024	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
National Demonstration Enterprise for Single Champion in Manufacturing (國家級製造業單項冠軍示範企業)	2021	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
National Postdoctoral Research Station (國家級博士後工作站)	2020	Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源和社會保障部), the National Postdoctoral Management Committee of the People’s Republic of China (全國博士後管理委員會)
Nationally Recognized Enterprise Technology Center (國家認定企業技術中心)	2011	National Development and Reform Commission (中華人民共和國國家發展和改革委員會), Ministry of Science and Technology (中華人民共和國科學技術部), Ministry of Finance (中華人民共和國財政部), General Administration of Customs (中華人民共和國海關總署), and State Taxation Administration of the People’s Republic of China (中華人民共和國國家稅務總局)