The following discussion and analysis should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our fiscal years ended December 31 of 2023, 2024 and 2025, respectively.

OVERVIEW

We are a prominent provider of spatial positioning services in China, headquartered in Shenzhen, offering chips, modules and related solutions that support major GNSS, including BeiDou, GPS, GLONASS, Galileo, QZSS, and NavIC. We apply dual-frequency high-precision positioning technology at the chip level, which enables our products to receive and process signals from multiple frequency bands to achieve higher accuracy and stronger resistance to signal interference. Our strengths also lie in low-power solutions and highly integrated SoC design technology, giving us a significant competitive edge in the industry.

Our revenue increased by 30.2% from RMB645.1 million in 2023 to RMB840.3 million in 2024. Our revenue increased by 20.7% from RMB840.3 million in 2024 to RMB1,014.2 million in 2025. In addition, our gross profit increased by 20.7% from RMB67.9 million in 2023 to RMB82.0 million in 2024. Our gross profit increased from RMB82.0 million in 2024 to RMB112.5 million in 2025. In 2023, 2024 and 2025, our gross profit margin was 10.5%, 9.8% and 11.1%, respectively. We had a loss for the year of RMB288.9 million, RMB141.3 million and RMB112.5 million in 2023, 2024 and 2025, respectively. Our adjusted EBITDA (a non-IFRS measure), which was adjusted by (i) **[REDACTED]** expense, (ii) equity-settled share-based payment expenses, (iii) income tax, (iv) interest income, (v) depreciation and amortization, and (vi) finance costs, was negative during the Track Record Period and amounted to RMB248.8 million, RMB91.3 million and RMB45.5 million in 2023, 2024 and 2025, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are principally affected by the following factors:

Our ability to diversify product and solution offerings and expand our product mix

Our ability to offer diversified navigation and positioning products and solutions is one of the most important factors affecting our results of operations and financial condition. Our success depends on our ability to develop navigation and positioning products and solutions with high-performance and differentiated design that meet the evolving demand of our downstream customers in various application fields. We offer a comprehensive product portfolio that includes GNSS chips, modules and related solutions. Our product portfolio spans transportation (transportation management, bike-sharing and intelligent driving), consumer electronics (smartphone, IoT and wearable devices) and environmental monitoring and early warning (meteorological detection and deformation monitoring), supported by a complete and versatile chip lineup. To simplify customers' development process, we provide highly integrated module products featuring built-in GNSS SoC chip, LNA, and SAW components.

Our gross profit margin decreased from 10.5% in 2023 to 9.8% in 2024, primarily due to a decrease in gross profit margin from our GNSS chips, modules and related solutions business, which decreased from 31.7% in 2023 to 27.3% in 2024. Our gross profit margin increased from 9.8% in 2024 to 11.1% in 2025 primarily driven by higher sales volume and revenue contribution from our GNSS chips, modules and related solutions business, which typically carried a higher gross margin. Our product mix may fluctuate significantly in response to the technological changes in the industries and markets in which we operate, and the changes in market demand and market competition. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product. As a result, our financial condition and results of operations may be materially and adversely affected.

Continuous investment in R&D facilities and talents

We have built a comprehensive GNSS chip design platform integrating advanced chip design software, IP modules and design functionalities, with a focus on designing navigation and positioning chips. This platform comprehensively covers schematic editing, layout editing and simulation, the three most critical processes in IC design, which enables us with large-scale design capability. Empowered by this platform, we have effectively improved our product design efficiency and are able to supply downstream customers with quality products. To strengthen our technology capabilities in the satellite navigation and positioning industry, we have made, and will continue to make, significant investments in upgrading our R&D capabilities and infrastructure. In 2023, 2024 and 2025, we incurred R&D expenses of RMB109.8 million, RMB118.1 million and RMB93.7 million, respectively. Going forward, we will continue to invest resources in R&D to support the long-term growth of our business.

The growth of our business depends largely on our R&D talents. Development of GNSS chips and modules require excellent IC architecture design capabilities and sufficient experience along with a thorough, in-depth and systematic understanding of IC products and functionalities. We are supported by a robust R&D team of 78 dedicated employees located in Beijing, Shenzhen, Shanghai and Hong Kong as of December 31, 2025. With over 50% of them holding a master's degree or above and over 70% of them bringing over three years of tenure with us as of December 31, 2025. Members of our R&D team for GNSS chips and modules bring an average of more than approximately ten years of experience in the satellite navigation and positioning industry as of the same date. We also have a dedicated R&D team for our GNSS-related solutions, comprising 30 employees located in Shanghai as of December 31, 2025. We will continue to invest resources to attract and retain more talented R&D personnel and further improve our GNSS chip design platform.

Our ability to expand and efficiently manage our sales network

During the Track Record Period, our products were primarily sold through both direct sales and distribution in Chinese Mainland and overseas. Under our GNSS chips, modules and related solutions business line, we use a mix of distributorship model and direct sales model for GNSS chips and modules, while we only use direct sales model for our GNSS-related solutions. Under our comprehensive chips and modules business line, we only use direct sale model. Revenue derived from direct sales customers amounted to RMB582.2 million, RMB760.2 million and RMB938.9 million in 2023, 2024 and 2025, respectively, which accounted for 90.2%, 90.5% and 92.6% of our revenue for the same years, respectively. Under our direct sales model, we directly acquire new customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts.

Our revenue generated from sales to distributors amounted to RMB62.9 million, RMB80.1 million and RMB75.3 million in 2023, 2024 and 2025, respectively, which accounted for 9.8%, 9.5% and 7.4% of our revenue for the same year, respectively. We consider a number of factors in selecting distributors, including their brand and reputation in the relevant industry, networks of downstream customers, warehousing and logistics capabilities, and overall business management and financial performance. As advised by CIC, our distributorship model is in line with industry norm. The distributors directly purchase products from us and are our customers, on-selling our products to their respective downstream customers. See "Business — Sales, Marketing and Distribution of Our Products — Our Distribution Channels."

We will continue to strengthen our relationship with existing direct sales customers and distributors and broaden our sales channels to attract new customers in targeted industries, thereby elevating sales efficiency. We will engage in early product introduction stage to collaborate with customers and understand their needs and market dynamics, expedite the design-in to design-win transition and boost orders, shipments and customer retention. We gain customers primarily by capitalizing on the robust brand reputation and substantial industry influence established through sustained, comprehensive and in-depth collaboration with top-tier companies across diverse application areas. Our ability to expand and efficiently manage our sales networks are crucial for our business development and results of operations. If we cannot expand our sales networks and unable to efficiently manage our sales network and maintain high-performing distributors, our business, financial condition and results of operation will be materially and adversely affected.

Our ability to maintain stable relationship with our major suppliers

During the Track Record Period, we established stable, strong and long-term cooperation with foundries, packaging and testing factories, and suppliers of products and raw material. Our ability to maintain long-term stable business relationship with these companies to provide us with quality and price competitive products and services on a timely basis is crucial for our business development and results of operations. Although we have entered into framework supply agreements with foundries, packaging and testing factories, and suppliers of products and raw material, we cannot assure you that the suppliers are not interrupted or delayed due to any circumstances and the terms of supply are acceptable to us. It will also take time to establish new or alternative supplier relationships to ensure a steady supply in a timely and cost-efficient manner. In those circumstances, we may not be able to offer products and services demanded by our customers, or to offer them in sufficient quantities and at prices acceptable to them. As a result, our business, financial condition and results of operations will be materially and adversely affected.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRSs. The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 3 to the Accountants' Report included in Appendix I to this document. All applicable IFRSs, have been consistently applied by us in the preparation of the historical financial information throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in note 2 of the Accountants' Report in Appendix I to this document.

The estimates and underlying assumptions are reviewed by our management on an on-going basis. See to note 3 of the Accountants' Report in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements applied in preparing our financial information:

Revenue recognition

Income is classified by us as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business. We are the principal for our revenue transactions and recognize revenue on a gross basis. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. For sale of goods, revenue is recognized when the customer takes possession of and accepts the products, and for rendering of services, revenue was recognized from project-based fees that are often paid upon achieving project milestones.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognized as cost of sales in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as cost of sales in the period in which the reversal occurs.

Share-based payments

We operate equity-settled share-based compensation plans, under which we receive services from directors and employees as consideration for equity instruments of our Group. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated statements of profit or loss.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimates of the number of restricted shares that are expected to vest based on service condition. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The grant by our Company of share incentive plan over our equity instruments to the employees of subsidiaries undertakings in our Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of our Company.

Impairment for non-current assets

At each reporting date, we review the carrying amounts of our non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit ("**CGU**"), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The Directors have considered the requirements in IAS 36 Impairment of Assets, and assessed if there is any impairment indication of the property, plant and equipment, right-of-use assets and intangible assets of our Group at the end of reporting period, and determined the recoverable amount of these assets based on value in use calculation, with the assistance from an external valuer. Our Group did not make any impairment for the property, plant and equipment, right-of-use assets or intangible assets during the Track Record Period.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our statements of profit or loss and other comprehensive income for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	645,136	840,286	1,014,150
Cost of sales	(577,217)	(758,319)	(901,694)
Gross profit	67,919	81,967	112,456
Other net income	32,170	43,466	24,948
Selling and distribution expenses	(56,516)	(54,408)	(53,925)
Administrative expenses	(83,173)	(80,476)	(88,081)
Research and development costs	(109,783)	(118,111)	(93,684)
Recognition of impairment loss on trade and other receivables	(8,492)	(14,509)	(14,436)
Impairment loss on non-current assets	(128,872)	—	—
Loss from operations	(286,747)	(142,071)	(112,722)
Finance costs	(2,397)	(1,732)	(2,269)
Loss before taxation	(289,144)	(143,803)	(114,991)
Income tax	228	2,534	2,462
Loss for the year	(288,916)	(141,269)	(112,529)
Other comprehensive income for the year (after tax and reclassification adjustments)	3,163	4,171	(7,626)
Total comprehensive income for the year	(285,753)	(137,098)	(120,155)
Loss per share			
Basic and diluted (RMB)	(0.31)	(0.14)	(0.11)

Non-IFRS Measure

To supplement our historical financial information which are presented in accordance with IFRS, we use adjusted net loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted net loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (a non-IFRS measure) as loss for the year adjusted by certain items, including: (i) **[REDACTED]** expense related to the **[REDACTED]**, and (ii) equity-settled share-based payment expenses related to our share-based arrangement, which are non-cash in nature.

We define adjusted EBITDA (a non-IFRS measure) as loss for the year adjusted by certain items, including: (i) **[REDACTED]** expense, (ii) equity-settled share-based payment expenses, (iii) income tax, (iv) interest income, (v) depreciation and amortization, and (vi) finance costs.

The following table reconciles our loss for the year presented to adjusted net loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure).

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of loss for the year and adjusted EBITDA (a non-IFRS measure)			
Loss for the year	(288,916)	(141,269)	(112,529)
Add:			
[REDACTED] expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Equity-settled share-based payment expenses	14,798	16,628	22,472
Adjusted net loss (a non-IFRS measure)	(274,118)	(119,742)	(74,677)
Add:			
Income tax	(228)	(2,534)	(2,462)
Interest income	(13,231)	(11,079)	(8,578)
Depreciation and amortisation	36,420	40,369	37,990
Finance costs	2,397	1,732	2,269
Adjusted EBITDA (a non-IFRS measure)	(248,760)	(91,254)	(45,458)

Our adjusted net loss (a non-IFRS measure) and adjusted net loss margin (a non-IFRS measure) narrowed from 2024 to 2025, primarily due to an increase in gross profit from our GNSS chips, modules and related solutions business. The improvement in gross profit was mainly driven by higher sales volume and revenue contribution from our GNSS chips, modules and related solutions business, where our products generally carry higher margins compared to the comprehensive chips and modules business line. The increase in demand for our GNSS chips and modules was mainly attributable to our shipment growth in transportation-transportation management and intelligent driving sectors, our business expansion in consumer electronics — IoT sector, alongside surging market demand fueled by policies supporting BeiDou, domestic substitution initiatives and our ability to offer highly cost-effective products.

Revenue

Revenue by Business Line

During the Track Record Period, we generated our revenue primarily from (i) our GNSS chips, modules and related solutions business; and (ii) our comprehensive chips and modules business. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
GNSS chips, modules and related solutions business	167,465	26.0	238,185	28.3	332,749	32.8
— GNSS chips and modules business	100,022	15.5	139,654	16.6	241,526	23.8
— GNSS-related solutions business	67,443	10.5	98,531	11.7	91,223	9.0
Comprehensive chips and modules business	477,671	74.0	602,101	71.7	681,401	67.2
Total	645,136	100.0	840,286	100.0	1,014,150	100.0

GNSS chips, modules and related solutions business. Our revenue generated from sales of GNSS chips, modules and related solutions increased by 42.2% from RMB167.5 million in 2023 to RMB238.2 million in 2024, primarily due to (i) an increase in the demand for GNSS chips and modules from the transportation (transportation management, bike-sharing and intelligent driving) field in 2024, and (ii) an increase in customer demand for GNSS-related solutions from downstream customers primarily from land and geological disaster prevention, mine tailings facilities and vehicle monitoring sectors. Our revenue generated from sales of GNSS chips, modules and related solutions increased by 39.7% from RMB238.2 million in 2024 to RMB332.7 million in 2025, primarily due to (i) our shipment growth in transportation — transportation management driven by the replacement cycle triggered by the enforcement of ministry-specified machine policies, as well as an increase in the demand of our customers engaging in transportation — intelligent driving sector; (ii) our business expansion in consumer electronics — IoT sector; and (iii) surging market demand fueled by policies supporting BeiDou, domestic substitution initiatives and our ability to offer highly cost-effective products.

Comprehensive chips and modules business. Our revenue generated from sales of comprehensive chips and modules business increased by 26.0% from RMB477.7 million in 2023 to RMB602.1 million in 2024, primarily due to (i) an increase of our revenue in communication chips and modules driven by the expansion of our product portfolio, a higher selling price and volume in our communication modules, coupled with growing demand from new customers in 2024, and (ii) an increase of our revenue in storage chips and modules driven by an increasing selling price impacted by industry cycles. Our revenue generated from sales of comprehensive chips and modules increased by 13.2% from RMB602.1 million in 2024 to RMB681.4 million in 2025, primarily due to (i) an increase in the revenue from communication chips as a result of the increase in sales volume; (ii) an increase in our RF chips driven by the diversified procurement needs of certain customers as their expanding business operations generated sustained demand for our products.

Revenue generated per customer

The table below sets forth our operating metrics about customers during the Track Record Period.

	Year Ended December 31,		
	2023	2024	2025
GNSS chip and modules			
Number of customers	70	67	74
Number of new customers	33	31	33
Revenue from customers *(RMB'000)*	100,022	139,654	241,526
Revenue generated per customer *(RMB'000)*	1,429	2,084	3,264
GNSS-related solutions(1)			
Number of customers	235	229	210
Number of new customers	128	115	103
Revenue from customers *(RMB'000)*	67,443	98,531	91,223
Revenue generated per customer *(RMB'000)*	287	430	434
Comprehensive chips and modules			
Number of customers	94	84	91
Number of new customers	45	44	56
Revenue from customers *(RMB'000)*	477,671	602,101	681,401
Revenue generated per customer *(RMB'000)*	5,082	7,168	7,488

Note:

(1) The operating metrics about customers of our GNSS-related solutions business and the operating metrics about projects of our GNSS-related solutions business are essentially numerically identical, as each project primarily represents a customer in our GNSS-related solutions business. Although there are a few instances where a single customer corresponds to multiple projects in our GNSS-related solutions business, this does not have a material impact on the overall analysis of the fluctuation of the operating metrics about the customers and the operating metrics about projects of our GNSS-related solutions business.

Revenue generated per customer of GNSS chips and modules: For the year ended December 31, 2023 and 2024, the revenue generated per customer grew significantly from RMB1.4 million in 2023 to RMB2.1 million in 2024, primarily attributable to the strategic shift towards more focused application scenarios and an optimized customer and distributor structure, which resulted in higher-yielding client relationships. This positive momentum continued into the following year, with per-customer revenue reaching RMB3.3 million in 2025.

Revenue generated per customer of GNSS-related solutions: In 2023, 2024 and 2025, the revenue generated per customer of GNSS-related solutions business remained relatively stable at RMB0.3 million, RMB0.4 million and RMB0.4 million, respectively.

Revenue generated per customer of comprehensive chips and modules: The revenue generated per customer was RMB5.1 million, RMB7.2 million and RMB7.5 million for the year ended December 31, 2023, 2024 and 2025, respectively, demonstrating a consistent upward trajectory. Such increasing trend was primarily due to (i) our ability to cross-sell additional product lines to existing clients due to high service satisfaction, and (ii) an increase in the procurement volume from certain of our satisfied existing customers.

Revenue by Product Type

The following table sets forth the revenue breakdown by product type during the Track Record Period.

	Year Ended December 31,					
	2023		2024		2025	
	('000)	*%*	*('000)*	*%*	*('000)*	*%*
GNSS chips, modules, and related solutions						
GNSS chips and modules						
— High-precision chips and modules	47,476	7.4	78,038	9.3	150,749	14.8

	Year Ended December 31,					
	2023		2024		2025	
	('000)	%	('000)	%	('000)	%
— Standard-precision chips and modules	41,242	6.4	52,365	6.2	81,689	8.1
— Others	11,304	1.7	9,251	1.1	9,088	0.9
Subtotal revenue derived from GNSS chips and modules business	100,022	15.5	139,654	16.6	241,526	23.8
GNSS-related solutions						
— Water conservancy and hydropower	34,704	5.4	38,198	4.5	23,702	2.3
— Land and geological disaster prevention	15,541	2.4	35,474	4.2	4,035	0.4
— Mine tailings facilities	8,783	1.4	14,242	1.7	10,879	1.1
— Vehicle monitoring	—	—	7,346	0.9	28,198	2.8
— Others	8,415	1.3	3,271	0.4	24,409	2.4
Subtotal revenue derived from GNSS-related solutions business	67,443	10.5	98,531	11.7	91,223	9.0
Subtotal	167,465	26.0	238,185	28.3	332,749	32.8
Comprehensive chips and modules						
— Communication chips and modules	268,384	41.6	332,238	39.6	384,579	37.9
— Storage chips and modules	111,674	17.3	190,153	22.6	132,315	13.1
— RF chips	66,994	10.4	59,276	7.1	123,807	12.2
— Others	30,619	4.7	20,434	2.4	40,700	4.0
Subtotal	477,671	74.0	602,101	71.7	681,401	67.2
Total	645,136	100.0	840,286	100.0	1,014,150	100.0

Notes:

(1) Others in GNSS chips and modules mainly include (a) GNSS technology services we provided to an American multinational corporation renowned for creating and commercializing the foundational technologies behind wireless communications, and (b) products such as wafer, antennas, evaluation kit boards and electronic components, which are often bundled with our self-developed GNSS chips and modules to fulfill specific customer requirement.

(2) The results of operations of our GNSS-related solutions business historically have been seasonal primarily because we typically provide GNSS-related solutions on a project-by-project basis, with delivery and acceptance of these projects typically occurring in the third and fourth quarters during the year. Therefore, we typically recognize a larger portion of revenue from GNSS-related solutions in the third and fourth quarter of a particular calendar year. For details, see "Business — Seasonality."

(3) Others in GNSS-related solution, during 2025, primarily consisted a one-off revenue of RMB20.6 million generated from a comprehensive project in relation to the monitoring of municipal buildings, bridges, and roads secured from the Wuhan Municipal Government.

Revenue by Geographical location

The following table sets out information about the geographical location of the Group's revenue from customers. The geographical location of customers is based on the location at which the services were provided, or the goods were delivered.

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	272,563	412,220	692,996
Hong Kong	367,537	424,227	316,117
Other Countries	5,036	3,839	5,037
	645,136	840,286	1,014,150

During the Track Record Period, our revenue derived from Chinese Mainland and Hong Kong accounted for 99.2%, 99.5% and 99.5% in 2023, 2024 and 2025, respectively.

Cost of Sales

Our cost of sales consists primarily of (i) product and material costs; (ii) processing costs; (iii) labor costs; (iv) service costs; and (v) others. As we operate with a fabless model for our GNSS chips and modules business, we focus on the design process and entrust the third-party manufacturers to produce the semi-finished goods which will be assembled by us or third-party companies for our self-developed goods. We procure finished goods of communication chips and modules, storage chips and modules, and RF chips from third party manufacturers and sell such chips and modules to downstream customers under our comprehensive chips and modules business.

The following table sets forth a breakdown of cost of sales by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
GNSS chips, modules and related solutions business	114,432	19.8	173,256	22.8	238,616	26.5
— GNSS chips and modules business	67,942	11.8	103,147	13.6	174,391	19.4
— GNSS-related solutions business	46,490	8.0	70,109	9.2	64,225	7.1
Comprehensive chips and modules business	462,785	80.2	585,063	77.2	663,078	73.5
Total	577,217	100.0	758,319	100.0	901,694	100.0

The following table sets forth a breakdown of cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Product and material costs	530,294	91.9	698,435	92.1	815,404	90.4
Product costs for comprehensive chips and modules business(1)	462,785	80.2	585,063	77.2	663,078	73.5
Product and material costs for GNSS chips and modules business(2)	46,427	8.0	75,674	10.0	132,907	14.7
Product and material costs for GNSS-related solutions business(3)	21,082	3.7	37,698	5.0	19,419	2.2
Processing costs	14,778	2.6	23,523	3.1	41,612	4.6
Labor costs	9,030	1.5	6,136	0.8	6,192	0.7
Service costs	15,911	2.8	25,071	3.3	29,293	3.2
Others(4)	7,204	1.2	5,154	0.7	9,193	1.0
Total	577,217	100.0	758,319	100.0	901,694	100.0

Notes:

(1) Product costs for comprehensive chips and modules business mainly include third-party integrated circuit chips consisting of communication chips and modules, storage chips and modules and RF chips. Product costs for comprehensive chips and modules business contributed to a significant proportion of the total cost of sale is primarily because of its significant contribution to our total revenue.

(2) Product and material costs for GNSS chips and modules business consist of components procured for our self-developed GNSS chips and modules, primarily including wafers and electronic components such as printed circuit board (PCB), crystal oscillators, SAW, LNA, and shielding covers.

(3) Product and material costs for GNSS-related solutions business consist of (a) monitoring equipment components, including communication modules, antennas, PCBs, connectors, and device enclosures; and (b) externally procured supporting equipment includes GNSS receivers, multi-channel data acquisition units (MCDAUs), integrated multi-parameter crack meters, and rain gauges.

(4) Others mainly include IP costs, depreciation, provision for inventories and freight.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by product type for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit RMB'000	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*
GNSS chips, modules, and related solutions						
GNSS chips and modules	32,081	32.1	36,507	26.1	67,135	27.8
— High-precision chips and modules	19,359	40.8	23,826	30.5	43,011	28.5
— Standard-precision chips and modules	7,283	17.7	9,206	17.6	20,760	25.4
— Others[(1)]	5,439	48.1	3,475	37.6	3,364	37.0
GNSS-related solutions	20,952	31.1	28,422	28.8	26,998	29.6
Subtotal	53,033	31.7	64,929	27.3	94,133	28.3
Comprehensive chips and modules	14,886	3.1	17,038	2.8	18,323	2.7
Total	67,919	10.5	81,967	9.8	112,456	11.1

Note:

(1) Others mainly include (a) GNSS technology services we provided to an American multinational corporation renowned for creating and commercializing the foundational technologies behind wireless communications, and (b) products such as wafer, antennas, evaluation kit boards and electronic components, which are often bundled with our self-developed GNSS chips and modules to fulfill specific customer requirement.

Our gross profit and our gross profit margin are affected by various factors such as composition of different lines of products sold by the Group, market competition, industry cycle, economic and political environment.

For details, see "— Discussion of Results of Operations."

Other Net Income

Other net income primarily consist of (i) government grants; (ii) interest income from bank deposits; (iii) investment income from wealth management banking products; (iv) gain on remeasurement of equity interests in the step acquisition of a subsidiary; (v) net (loss)/gain on disposal of property, plant and equipment; (vi) net foreign exchange gain/(loss); and (vii) others.

The following table sets forth a breakdown of our other net income for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	13,157	27,843	14,603
Interest income from bank deposits	13,231	11,079	8,578
Investment income from wealth management banking products	7,203	6,396	2,479
Net (loss)/gain on disposal of property, plant and equipment	(89)	109	477
Net foreign exchange loss	(1,196)	(2,360)	(1,822)
Others	(136)	399	633
Total	32,170	43,466	24,948

Our government grants primarily include industry-specific subsidies granted by the local government authorities in China to encourage R&D projects. The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. There are no unfulfilled conditions relating to such government grants recognized. Our government grants that were non-recurring in nature caused the fluctuations in the amount of other income.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) staff expenses such as salaries and wages, retirement benefits, equity settled share-based payment expenses and staff welfare of our sales and marketing personnel; (ii) depreciation of property, plant and equipment and depreciation of right-of-use assets and amortization of intangible assets ; (iii) office expenses such as general office expenses, rental and utilities expenses, and property management fees; (iv) hospitality and travelling expenses for sales and marketing purposes; (v) marketing and promotion expenses for our marketing activities ; and (vi) others.

The following table sets forth the components of our selling and distribution expenses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Staff expenses	33,293	34,878	37,281
Depreciation and amortization	6,881	7,034	5,801
Office expenses	1,533	961	880
Hospitality and travelling expenses	5,236	4,978	4,440
Marketing and promotion expenses	6,932	3,847	3,659
Others(1)	2,641	2,710	1,864
Total	56,516	54,408	53,925

Note: (1) Others mainly include insurance expenses, after-sales service fees and product maintenance fees.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff expenses such as salaries and wages, retirement benefits, equity settled share-based payment expenses and staff welfare of our administrative personnel; (ii) office expenses such as general office expenses, rental and utilities expenses, and property management fees; (iii) depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets ; (iv) professional service expenses such as accounting service fees and legal fees; (v) hospitality and travelling expenses; (vi) **[REDACTED]** expenses; and (vii) others.

The following table sets forth a breakdown of the components of our administrative expenses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Staff expenses	54,886	51,963	53,161
Office expenses	5,050	3,838	3,075
Depreciation and amortization	9,158	10,756	7,731
Professional service expenses	7,060	3,110	2,443
Hospitality and travelling expenses	3,928	2,832	2,595
[REDACTED] expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others(1)	3,091	3,078	3,696
Total	83,173	80,476	88,081

Note: (1) Others mainly include remuneration of independent non-executive directors, disability protection fund, service fees and tax and surcharges.

R&D Expenses

Our R&D expenses primarily consist of (i) staff expenses such as salaries and wages, retirement benefits, equity-settled share-based payment expenses and staff welfare of our R&D personnel; (ii) depreciation of property, plant and equipment, depreciation of right-of-use assets in connection with our leased offices and amortization of intangible assets in relation to software or systems purchased for R&D activities; (iii) material and testing fees in relation to our R&D activities; (iv) R&D outsourcing fees to third-party R&D companies for the design of chips; and (v) others.

The following table sets forth a breakdown of the components of our R&D expenses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Staff expenses	76,378	75,198	61,049
Depreciation and amortization	18,039	21,508	18,941
Material and testing fees	5,692	9,287	2,570
R&D outsourcing fees	4,972	7,567	5,793
Others[1]	4,702	4,551	5,331
Total	109,783	118,111	93,684

Note: (1) Others mainly include IP expenses office expenses such as general office expenses, utilities expenses, and property management fees, and travelling expenses incurred by R&D personnel for R&D purposes.

During the Track Record Period, we remain dedicated to advancing our R&D capabilities. In 2023, 2024 and 2025, our R&D expenses were RMB109.8 million, RMB118.1 million and RMB93.7 million, respectively, accounting for 17.0%, 14.1% and 9.2% of our revenue for the same years, respectively.

Reversal/(recognition) of impairment loss on trade and other receivables

Our impairment loss on trade and other receivables, net of reversals, were recognized as provisions for accounts receivable and other receivables under the expected credit loss model. The provision amount was determined based on the year-end balances. See note 27(a) to the Accountants' Report in Appendix I to this document for details.

Impairment Loss on Non-current Assets

Our impairment loss on non-current assets represented impairment of goodwill arising from the Medo Acquisition as the recoverable amount of Medo's CGU was assessed to be less than the carrying amount. We recorded impairment loss on non-current assets of RMB128.9 million, nil and nil in 2023, 2024 and 2025, respectively.

The recoverable amount of the CGU is determined based on value-in-use calculations. We engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period. Cash flows beyond the forecast period are extrapolated using the growth rate with reference to the long-term inflation rate. The key assumptions used in estimating the recoverable amount are as follows:

	Medo	Satellite Navigation Business		
	As at 31 December 2023	As at 31 December 2023	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Annual revenue growth rate	9%–46%	10%–46%	9%–29%	9%–19%
Gross profit margin	29%–38%	8%–16%	8%–24%	11%–24%
Growth rate beyond the forecast period	2%	2%	2%	2%
Pre-tax discount rate	15.60%	13.60%	14.30%	14.80%

The impairment loss of RMB128,872,000 of goodwill recognised in "impairment loss on non-current assets" during the year ended 31 December 2023 related to Medo. As Medo has been reduced to its recoverable amount of RMB95,000,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

As at 31 December 2023, 2024 and 2025, the amounts of headroom calculated based on the recoverable amounts deducting the carrying amount of Satellite Navigation Business are RMB595,692,000, RMB738,916,000 and RMB785,301,000, respectively.

We believe that, except for the annual revenue growth rate as at 31 December 2023, any reasonably possible change in key parameters would not cause the carrying amount of Satellite Navigation Business to exceed the recoverable amount of Satellite Navigation Business as at 31 December 2023, 2024 and 2025. See note 13 to the Accountants' Report in Appendix I to this document for details.

We have considered the requirements in IAS 36 Impairment of Assets, and assessed if there is any impairment indication of the property, plant and equipment, right-of-use assets and intangible assets at the end of reporting period during the Track Record Period. If any impairment indication was noted, we determined the recoverable amount of these assets based on value in use calculation, with the assistance from an external valuer. We did not make any impairment for the property, plant and equipment, right-of-use assets or intangible assets during the Track Record Period.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. We recorded income tax credit of RMB0.2 million, RMB2.5 million and RMB2.5 million in 2023, 2024 and 2025, respectively. Our principal applicable taxes and tax rates are as follows:

PRC

The income tax provision of the Company has been calculated at the tax rate of 25% on the taxable income during the Track Record Period in accordance with the EIT Law. We were entitled to preferential tax rate at 15% as we obtained the certificate of high-technology enterprise, additional deduction on R&D expenses and deduction on equipment newly purchased.

Hong Kong

Under the two-tiered Profits tax rates regime, the first HK$2 million of profits of the qualifying entities are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

Acquisition of Medo

We acquired equity interests in Medo through a series of transactions between December 2021 and July 2022, and subsequently held 53.74% of its equity interests. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Medo."

Medo's revenue increased from RMB67.4 million in 2023 to RMB98.5 million in 2024 as new customer engagements were secured, reflecting an improvement in underlying business momentum. Medo's revenue decreased from RMB98.5 million in 2024 to RMB71.9 million in 2025 primarily attributable to a decrease of RMB45.9 million in the revenue from land and geological disaster prevention and water conservancy and hydropower sectors, partially offset by an increase of RMB20.6 million in revenue derived from a one-off comprehensive project secured from the Wuhan Municipal Government.

Without taking into account of amortization of intangible assets and deferred tax liability arising from acquisition of Medo, Medo recorded net losses of RMB49.9 million and RMB46.0 million in 2023 and 2024, respectively. The losses in 2023 and 2024 were mainly attributable to the delay of a project in 2023 and the relatively fixed nature of R&D and personnel expenses, which remained significant despite revenue fluctuations. In 2025, Medo's net loss narrowed to RMB25.9 million from RMB46.0 million in 2024, demonstrating improving operating leverage and a gradual transition toward breakeven.

In 2023, the Group recorded a goodwill impairment of RMB128.9 million in respect of Medo. At the time of the acquisitions in 2021–2022, the consideration was determined with reference to a pre-money valuation that assumed continued high growth momentum, including expected revenue from a major forestry monitoring project in Wuyishan, Jiangxi Province. This project was viewed as a key pipeline opportunity, supported by prior project wins in the same locality and repeated engagement with local forestry authorities. Significant investments were made in R&D and personnel in anticipation of this project. However, due to subsequent changes in local government funding priorities following a reshuffle of the leadership team, the project ultimately did not materialize. This deviation from key growth assumptions, coupled with the associated cost burden, resulted in a significant downward revision of Medo's projected cash flows in the 2023 impairment test, leading to the recognition of the RMB128.9 million goodwill impairment. As of the Latest Practicable Date, the above-mentioned project has not made further progress, and government departments have not issued any explicit official announcements. The delay of such project has impacted our results of operations in several ways: (i) in 2023, Medo hired R&D and project personnel to implement this project. However, since the project did not materialize, the associated labor costs were incurred without generating corresponding revenue; (ii) in 2023, we allocated substantial resources to the forestry monitoring project, resulting in decreased resources allocation toward other segments. As revenue from sectors such as land and geological disaster prevention, mine tailings facilities, and vehicle monitoring was primarily project-based and non-recurring — driven largely by successful competitive bidding — the diversion of resources led to a lower volume of new contract awards. Accordingly, these sectors experienced a significant revenue decline in 2023; (iii) in 2024, despite the fact that Medo conducted workforce optimization in response to the project's failure to materialize, the labor costs incurred for the project continued to impact the net loss of Medo for that year. The decrease in gross profit margin is mainly due to other reasons. Specifically, the increase in revenue from equipment sales, coupled with a decrease in their gross profit margin, led to a slight decline in gross profit margin. Our Company is of the view that such project delay is not systemic and will not affect remaining projects of Medo in 2025.

Prior to the acquisition of Medo, we engaged PRC legal counsel, to conduct detailed due diligence covering legal, tax and operational aspects of Medo. The due diligence scope included verification of corporate structure, licenses, contracts, intellectual property rights and compliance records. Based on the due diligence findings and the Directors' assessment at the time, the acquisition was considered commercially reasonable and consistent with our strategic expansion objectives. Our Directors are of the view that the Company had conducted sufficient due diligence prior to the acquisition of Medo. Having considered the basis of the Directors' view and the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to cast doubt on the views of our Directors as stated above in any material respect. To ensure prudent evaluation of future acquisitions, we have established an internal review mechanism under which any potential target will be subject to comprehensive legal, financial and business due diligence, independent valuation, and review by our management and Board, with input from external professional advisors as necessary, before any investment decision is made.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our overall revenue increased by 20.7% from RMB840.3 million in 2024 to RMB1,014.2 million in 2025.

GNSS chips, modules and related solutions business. Our revenue generated from sales of GNSS chips, modules and related solutions increased by 39.7% from RMB238.2 million in 2024 to RMB332.7 million in 2025, primarily due to (i) our shipment growth in transportation — transportation management driven by the replacement cycle triggered by the enforcement of ministry-specified machine policies, as well as an increase in the demand of our customers engaging in transportation —

intelligent driving sector; (ii) our business expansion in consumer electronics — IoT sector; and (iii) surging market demand fueled by policies supporting BeiDou, domestic substitution initiatives and our ability to offer highly cost-effective products.

Comprehensive chips and modules business. Our revenue generated from sales of comprehensive chips and modules business increased by 13.2% from RMB602.1 million in 2024 to RMB681.4 million in 2025, primarily due to (i) an increase in the revenue from communication chips and modules, resulting from the increase in sales volume and (ii) an increase in our RF chips driven by the diversified procurement needs of certain customers as their expanding business operations generated sustained demand for our products.

Cost of Sales

Our cost of sales increased by 18.9% from RMB758.3 million in 2024 to RMB901.7 million in 2025, primarily due to an increase in product and material costs in line with our business growth.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 37.2% from RMB82.0 million in 2024 to RMB112.5 million in 2025 and our overall gross profit margin increased from 9.8% in 2024 to 11.1% in 2025 due to the revenue mix change.

GNSS chips, modules and related solutions business. Our gross profit from sales of GNSS chips, modules and related solutions increased by 45.0% from RMB64.9 million in 2024 to RMB94.1 million in 2025, primarily due to the increase in revenue in this business as discussed above. Our gross profit margin from sales of GNSS chips, modules and related solutions slightly increased from 27.3% in 2024 to 28.3% in 2025, primarily due to (i) a higher proportion of sales from high-precision chips and modules with higher gross profit margins; and (ii) a significant increase in the gross profit margin of our standard-precision chips and modules driven by enhanced cost control measures, mainly including introducing new qualified manufacturers to enhance competition and pricing flexibility, and conducting tenders to select suppliers with greater cost advantages. See "Business Sustainability — Improved Gross Profit Margin" for more details. The gross profit margin of our high-precision chips and modules decreased from 30.5% in 2024 to 28.5% in 2025, primarily driven by the lower gross profit margin of our modules as a result of higher initial unit costs associated with the low-volume production of our newly launched modules in 2025.

Comprehensive chips and modules business. Our gross profit from sales of comprehensive chips and modules increased by 7.5% from RMB17.0 million in 2024 to RMB18.3 million in 2025, primarily due to an increase in revenue from sales of communication chips and modules and our expansion of product lines in 2025. Our gross profit margin from sales of comprehensive chips and modules remained stable at 2.8% and 2.7% in 2024 and 2025, respectively.

Other Net Income

Our other net income decreased from RMB43.5 million in 2024 to RMB24.9 million in 2025, primarily due to (i) a decrease in government grants resulting from the decrease in the number of the completion and acceptance of several government funded R&D projects and (ii) a decrease in the interest income from bank deposits and investment income from wealth management banking products as influenced by the decrease in the bank deposits and the average balance of wealth management products.

Selling and Distribution Expenses

Our selling and distribution expenses slightly decreased from RMB54.4 million in 2024 to RMB53.9 million in 2025 primarily attributable to a decrease in depreciation of right-of-use assets related to the relocation of our Shanghai office with lower rent expenses, partially offset by an increase in the staff expenses resulting from an increase in the share-based payments made to certain employees. The proportion of selling and distribution expenses as a percentage of our revenue decreased from 6.5% in 2024 to 5.3% in 2025, reflecting our more effective marketing efforts.

Administrative Expenses

Our administrative expenses increased by 9.5% from RMB80.5 million in 2024 to RMB88.1 million in 2025, primarily due to an increase in (i) **[REDACTED]** expenses of **[REDACTED]** in relation to our proposed **[REDACTED]** and (ii) staff expenses of RMB2.0 million mainly caused by an increase in equity-settled share-based payment expense relating to the grant of restricted shares to administrative personnel. Our administrative expenses as a percentage of revenue decreased from 9.6% in 2024 to 8.7% in 2025, reflecting our enhanced operational efficiency.

R&D Expenses

Our R&D expenses decreased by 20.7% from RMB118.1 million in 2024 to RMB93.7 million in 2025, primarily due to a decrease in staff expenses resulting from a decrease in the number of R&D personnel to improve our R&D efficiency.

Recognition of impairment loss on trade and other receivables

Our impairment loss on trade and other receivables, net of reversals, remained relatively stable at RMB14.5 million in 2024 and RMB14.4 million in 2025.

Income Tax

Our income tax credit remained stable at RMB2.5 million in 2024 and 2025.

Loss for the Period

As a result of the foregoing, we recorded a loss of RMB141.3 million in 2024 and RMB112.5 million in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our overall revenue increased by 30.2% from RMB645.1 million in 2023 to RMB840.3 million in 2024.

GNSS chips, modules and related solutions business. Our revenue generated from sales of GNSS chips, modules and related solutions increased by 42.2% from RMB167.5 million in 2023 to RMB238.2 million in 2024, primarily due to (i) an increase in the demand for GNSS chips and modules from the transportation field in 2024, and (ii) an increase in customer demand for GNSS-related solutions from downstream customers primarily from land and geological disaster prevention, mine tailings facilities and vehicle monitoring sectors.

Comprehensive chips and modules business. Our revenue generated from sales of comprehensive chips and modules business increased by 26.0% from RMB477.7 million in 2023 to RMB602.1 million in 2024, primarily due to (i) an increase of our revenue in communication chips and modules driven by the expansion of our product portfolio, a higher selling price and volume in our communication modules, coupled with growing demand from new customers in 2024, and (ii) an increase of our revenue in storage chips and modules driven by an increasing selling price impacted by industry cycles.

Cost of Sales

Our cost of sales increased by 31.4% from RMB577.2 million in 2023 to RMB758.3 million in 2024, primarily due to an increase in product and material costs in line with our business growth.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 20.7% from RMB67.9 million in 2023 to RMB82.0 million in 2024 and our overall gross profit margin decreased from 10.5% in 2023 to 9.8% in 2024.

GNSS chips, modules and related solutions business. Our gross profit from sales of GNSS chips, modules and related solutions increased by 22.4% from RMB53.0 million in 2023 to RMB64.9 million in 2024, primarily due to the increase in revenue in this business as discussed above. Our gross profit margin from sales of GNSS chips, modules and related solutions decreased from 31.7% in 2023 to 27.3% in 2024 due to the following factors: (i) a decrease in gross profit margin from sales of high-precision and standard-precision modules as we further lowered our selling price of such products to attract customers and (ii) an increase in revenue contribution from the sales of GNSS terminals, which had a relatively low gross profit margin.

Comprehensive chips and modules business. Our gross profit from sales of comprehensive chips and modules increased by 14.5% from RMB14.9 million in 2023 to RMB17.0 million in 2024, primarily due to an increase in revenue from sales of storage chips and modules in line with its upward industry cycle in 2024. Our gross profit margin from sales of comprehensive chips and modules remained stable.

Other Net Income

Our other net income increased from RMB32.2 million in 2023 to RMB43.5 million in 2024, primarily due to an increase in government grants resulting from the completion and acceptance of several government funded R&D projects in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB56.5 million and RMB54.4 million in 2023 and 2024. The proportion of selling and distribution expenses as a percentage of our revenue decreased from 8.8% in 2023 to 6.5% in 2024, reflecting our more effective marketing efforts.

Administrative Expenses

Our administrative expenses decreased by 3.2% from RMB83.2 million in 2023 to RMB80.5 million in 2024, primarily due to a decrease in (i) staff expenses of RMB2.9 million mainly caused by a reduction in equity-settled share-based payment expenses relating to the restricted shares granted to administrative personnel, (ii) office expenses by RMB1.2 million and (iii) hospitality and travelling expenses by RMB1.1 million, which was partly offset by an increase of RMB1.6 million in depreciation and amortization. Our administrative expenses as a percentage of revenue decreased from 12.9% in 2023 to 9.6% in 2024.

R&D Expenses

Our R&D expenses increased by 7.6% from RMB109.8 million in 2023 to RMB118.1 million in 2024, primarily due to an increase in (i) material and testing fees by RMB3.6 million, resulting from more R&D activities conducted in 2024, (ii) depreciation and amortization by RMB3.5 million, and (iii) R&D outsourcing fees by RMB2.6 million for part of our outsourcing of chip development and design in 2024.

Reversal/(recognition) of impairment loss on trade and other receivables

Our impairment loss on trade and other receivables, net of reversals, increased from RMB8.5 million in 2023 to RMB14.5 million in 2024, which was in relation to (i) the growth of accounts receivable for GNSS-related solutions business, reflecting an increase in expected credit losses, and (ii) a one-off provision for impairment of accounts receivable mainly due to our evaluation of the recovery risk relating to receivables from a customer in the geological monitoring industry.

Income Tax

Our income tax credit was RMB0.2 million in 2023 and RMB2.5 million in 2024.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB288.9 million in 2023 and RMB141.3 million in 2024.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through capital contributions by pre-**[REDACTED]** investors, cash generated from investing activities, bank loans and other borrowing. In the future, we expect to continue relying on **[REDACTED]** from the **[REDACTED]**, and other bank loans and borrowing to fund our working capital needs.

Cash Flows

The following table sets forth a summary of our cash flow statements for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash used in operating activities	(107,208)	(141,241)	(106,111)
Net cash used in investing activities	(14,408)	(4,377)	(28,798)
Net cash generated from/(used in) financing activities	(3,369)	(2,007)	13,177
Net decrease in cash and cash equivalents	(124,985)	(147,625)	(121,732)
Cash and cash equivalents at the beginning of the year	831,300	712,778	571,578
Effect of foreign exchange rates changes	6,463	6,425	(3,176)
Cash and cash equivalents at the end of the year	712,778	571,578	446,670

Net Cash Used in Operating Activities

In 2025, our net cash used in operating activities was RMB106.1 million, primarily due to our loss before tax of RMB115.0 million, as adjusted by (i) non-cash and non-operating items, which primarily included recognition of impairment loss on trade receivables and other receivables of RMB14.4 million, equity-settled share-based payment of RMB22.5 million, depreciation of RMB21.5 million, amortization of intangible assets of RMB16.5 million, and interest income of RMB8.6 million, and; and (ii) changes in working capital, which primarily included (a) an increase in trade and other receivables of RMB101.7 million due to the lengthened payment terms for our new customers and the continuous growth in our comprehensive chips and modules business; (b) an increase of RMB52.6 million in trade and other payables; (c) an increase in contract liabilities of RMB13.2 million; and (d) an increase in inventories and contract costs of RMB18.5 million driven by the stockpiling at the end of 2025.

In view of our net operating cash outflows in 2025, we have implemented various measures to improve its net operating cash outflows position. We have strengthened controls over trade and other receivables. Specifically, in our comprehensive chips and modules business, after reassessing our customer credit risks, we have implemented tighter credit controls by capping credit lines for three customers at US$100,000 each. In addition, we are currently in discussions with banks to arrange accounts receivable factoring.

In 2024, our net cash used in operating activities was RMB141.2 million, primarily due to our loss before tax of RMB143.8 million, as adjusted by (i) non-cash and non-operating items, which primarily included depreciation of RMB24.3 million, equity-settled share-based payment of RMB16.6 million, amortization of intangible assets of RMB16.1 million, interest income of RMB11.1 million, and recognition of impairment loss on trade receivables and other receivables of RMB14.5 million; and (ii) changes in working capital, which primarily included (a) an increase in trade and other receivables of RMB138.0 million; (b) an increase of RMB36.3 million in trade and other payables; (c) an increase in contract liabilities of RMB34.5 million; and (d) a decrease in inventories and contract costs of RMB25.7 million.

In 2023, our net cash used in operating activities was RMB107.2 million, primarily due to our loss before tax of RMB289.1 million, as adjusted by (i) non-cash and non-operating items, which primarily included impairment loss on non-current assets of RMB128.9 million, equity-settled share-based payment expenses of RMB14.8 million, depreciation of RMB22.2 million, amortization of intangible assets of RMB14.2 million, interest income of RMB13.2 million, and recognition of impairment loss on trade and other receivables of RMB8.5 million; and (ii) changes in working capital, which primarily included (a) an increase of RMB13.6 million in contract liabilities; (b) an increase of RMB3.0 million in inventories and contract costs and (c) an increase of RMB2.8 million in trade and other payables.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities was RMB28.8 million, primarily due to (i) payment for the purchase of wealth management products of RMB502.0 million; and (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB31.3 million, partially offset by proceeds from redemption of wealth management products of RMB504.5 million.

In 2024, our net cash used in investing activities was RMB4.4 million, primarily due to (i) payment for the purchase of wealth management products of RMB1,225.0 million; and (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB17.2 million, partially offset by proceeds from redemption of wealth management products of RMB1,237.8 million.

In 2023, our net cash used in investing activities was RMB14.4 million, primarily due to (i) payments for the purchase of wealth management products of RMB1,500.0 million; and (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB29.4 million, partially offset by proceeds from redemption of wealth management products of RMB1,514.4 million.

Net Cash Generated from/(Used in) Financing Activities

In 2025, our net cash generated from financing activities was RMB13.2 million, primarily due to proceeds from additional bank loans and other borrowing of RMB85.5 million, partially offset by (i) repayments of bank loans of RMB59.6 million; (ii) payment of **[REDACTED]** expense of **[REDACTED]**; and (iii) capital element of lease rentals paid of RMB7.3 million.

In 2024, our net cash used in financing activities was RMB2.0 million, primarily due to (i) repayments of bank loans and other borrowing of RMB41.9 million; and (ii) capital element of lease rentals paid of RMB10.8 million, partially offset by proceeds from additional bank loans and other borrowing of RMB36.0 million and a release of letter of credit of RMB14.7 million.

In 2023, our net cash used in financing activities was RMB3.4 million, primarily due to (i) repayments of bank loans and other borrowing of RMB29.9 million; and (ii) capital element of lease rentals paid of RMB8.8 million, partially offset by proceeds from additional bank loans and other borrowing of RMB36.9 million.

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities as of the respective dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories and contract costs	96,663	70,928	89,403	154,352
Contract assets	812	811	2,696	1,648
Trade and other receivables	218,580	341,058	431,599	444,799
Restricted cash	1,455	12,460	10,285	2,299
Cash and cash equivalents	712,778	571,578	446,670	308,776
Other current assets	5,455	6,535	9,016	14,933
Financial assets measured at fair value through profit or loss (FVPL)	—	—	—	30,000
Total current assets	1,035,743	1,003,370	989,669	956,807
Current liabilities				
Trade and other payables	92,882	136,350	187,053	183,674
Contract liabilities	25,502	61,041	73,897	50,049
Bank loans and other borrowing	36,941	45,755	72,058	63,651
Lease liabilities	10,911	11,347	4,517	2,782
Current taxation	84	21	104	—
Provisions	1,304	1,553	1,477	1,404
Total current liabilities	167,624	256,067	339,106	301,561
Net current assets	868,119	747,303	650,563	655,246

Our net current assets decreased from RMB868.1 million as of December 31, 2023 to RMB747.3 million as of December 31, 2024, primarily due to (i) a decrease of RMB141.2 million in cash and cash equivalents primarily attributable to cash outflows from our operating losses and working capital requirements; (ii) an increase of RMB43.5 million in trade and other payables due to an increase in the trade payables incurred for the procurement costs for products in our comprehensive chips and modules business, in line with the growth of our comprehensive chips and modules business; (iii) an increase of RMB35.5 million in contract liabilities primarily due to (a) an increase in advance payments received of RMB19.4 million due to the expansion of our comprehensive chip module business, and (b) the receipt of substantial advance payments of RMB15.6 million for a vehicle monitoring-related project in our GNSS-related solutions business; and (iv) a decrease of RMB25.7 million in inventories and contract costs primarily because our GNSS chips and modules business experienced an increase in the sales volume in the second half of 2024, leading to a corresponding decrease in related raw materials and finished goods inventory. This was partially offset by (i) an increase of RMB122.5 million in trade and other receivables due to an increase in trade receivables in line with the expansion of business volume in our comprehensive chips and modules during the second half of 2024; and (ii) an increase of RMB11.0 million in restricted cash due to the bank accepted promissory note.

Our net current assets decreased from RMB747.3 million as of December 31, 2024 to RMB650.6 million as of December 31, 2025, primarily due to (i) a decrease of RMB124.9 million in cash and cash equivalents primarily attributable to cash outflows from our operating losses and working capital requirements; (ii) an increase of RMB26.3 million in bank loans and other borrowing to support our business expansion; and (iii) an increase of RMB50.7 million in trade and other payables due to our increased procurement within our comprehensive chips and modules business, partially offset by (i) an increase of RMB18.5 million in inventories and contract costs due to stockpiling at the end of 2025; (ii) an increase of RMB90.5 million in trade and other receivables driven by our business growth; and (iii) a decrease of RMB6.8 million in lease liability as a result of rental payment.

Our net current assets remained relatively stable at RMB650.6 million as of December 31, 2025 and RMB655.2 million as of April 30, 2026.

DISCUSSION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) ownership interests and buildings held for own use; (ii) properties leased for own use; (iii) plant, machinery and equipment; (iv) motor vehicles; and (v) leasehold improvement. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Ownership interests in buildings held for own use	37,663	35,645	33,627
Properties leased for own use	26,379	15,009	6,414
Plant, machinery and equipment	23,666	31,319	43,939
Motor Vehicles	549	321	974
Leasehold improvement	2,534	609	1,956
Total	90,791	82,903	86,910

Our property, plant and equipment decreased from RMB90.8 million as of December 31, 2023 to RMB82.9 million as of December 31, 2024, primarily due to the depreciation charge of RMB24.3 million for the year, partially offset by additions of plant, machinery and equipment of RMB16.9 million.

Our property, plant and equipment increased from RMB82.9 million as of December 31, 2024 to RMB86.9 million as of December 31, 2025, primarily due to the increase of plant, machinery and equipment of RMB12.6 million driven by the production requirements, and partially offset by the decrease of properties leased for own use of RMB8.6 million as a result of disposal on such assets.

Intangible Assets

Our intangible assets represent carrying amounts of (i) software; (ii) patents and trademarks; and (iii) customer relationship. As at the acquisition date, Medo had a total of 267 customers, including enterprises and research institutions. The Directors anticipated that relationships with existing customers of Medo would continue to generate revenue in the future and recognised as intangible assets. Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationships. The expected useful life is determined with reference to the past experience of the customer retention rate and projected period of future economic benefits from customer relationships.

The following table sets forth the net carrying amount of our intangible assets as of the dates indicated:

	As of December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Software	17,567	19,997	19,122
Patents and trademarks	14,828	9,520	6,510
Customer relationship	17,695	13,362	9,029
	50,090	42,879	34,661

Our intangible assets decreased from RMB50.1 million as of December 31, 2023 to RMB42.9 million as of December 31, 2024. This is mainly due to an annual amortization charged during the year of RMB16.1 million; which is partly offset by the addition of software of RMB8.9 million.

Our intangible assets slightly decreased from RMB42.9 million as of December 31, 2024 to RMB34.7 million as of December 31, 2025, primarily due to the amortization charged during the period of RMB16.5 million, partially offset by the addition of software of RMB9.2 million.

Goodwill

As of December 31, 2023, 2024, and 2025, the carrying amount of our goodwill remained stable at RMB81.2 million. This followed an impairment loss recognized in 2023, as the recoverable amount of Medo's cash-generating units was assessed to be less than the carrying amount. For details of the headroom for each CGU including Satellite Navigation Business and Medo, see "Appendix I — Accountants' Report — Note 13 Goodwill."

Our goodwill remained stable at RMB81.2 million as of December 31, 2023, December 31, 2024 and December 31, 2025.

Inventories and Contract Costs

Our inventories and contract costs primarily consist of inventories, which are further divided into (i) raw materials, primarily including untested foundry-manufactured wafers, capacitors, resistors, and printed circuit boards; (ii) work-in-progress; and (iii) finished goods, primarily including the inventory of comprehensive chips and modules business, inventory of GNSS chips, and contract costs. Our inventories and contract costs decreased from RMB96.7 million as of December 31, 2023 to RMB70.9 million as of December 31, 2024, primarily attributable to (i) a decrease of RMB6.1 million in raw materials; (ii) a decrease of RMB5.7 million in work in progress and (iii) a decrease of RMB15.3 million in finished goods, as a result of (i) our optimization of the raw material procurement process for module products and (ii) higher-than-expected sales of chips and modules that led to a reduction in inventories of wafers and work in progress. Our inventories and contract costs increased from RMB70.9 million as of December 31, 2024 to RMB89.4 million as of December 31, 2025, primarily attributable to (i) an increase of RMB5.7 million in raw materials; (ii) an increase of RMB9.0 million in work in progress and (iii) an increase of RMB9.5 million in contract cost, as we built up inventory at the end 2025 to address expected increasing demand in the foreseeable future, partially offset by a decrease of RMB5.7 million in finished goods as a result of increased sales volume realized during the fourth quarter of 2025.

The following table sets forth our inventories and contract costs as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	14,806	8,718	14,437
Work-in-progress	19,247	13,514	22,465
Finished goods	58,773	43,464	37,767
Subtotal	92,826	65,696	74,669
Contract costs	3,837	5,232	14,734
Total	96,663	70,928	89,403

The following table sets forth the aging analysis of our inventory as of December 31, 2023, 2024 and 2025:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials			
Within one year	10,646	7,148	12,905
Over one year	4,179	1,612	1,625
	14,825	8,760	14,530
Work-in-progress			
Within one year	19,277	13,613	22,673
	19,277	13,613	22,673
Finished goods			
Within one year	52,748	37,537	33,833
Over one year	6,133	6,019	4,166
	58,881	43,556	37,999
Contract costs	3,837	5,232	14,734
Less: Provision for inventories	(157)	(233)	(533)
Total	96,663	70,928	89,403

There was no material recoverability issue for our inventories as of the end of each year during the Track Record Period for the following reasons: (i) a substantial portion of the inventories as of December 31, 2023, 2024 and 2025 were aged less than one year and were subsequently consumed or sold in one year; and (ii) during the Track Record Period, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories. As of December 31, 2023, 2024 and 2025, our provision for inventories was RMB0.2 million, RMB0.2 million and RMB0.5 million, respectively. Our Directors consider sufficient provision for inventories had been made.

The following table sets forth the number of our inventory turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	60	40	32

Note: (1) Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by cost of sales for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.

Our inventory turnover days decreased from 60 days in 2023 to 40 days in 2024, and further decreased to 32 days in 2025, primarily because we strengthened our inventory management through adoption of a sale-based production strategy to keep an appropriate inventory level.

As of April 30, 2026, RMB67.2 million, or 75.3% of our gross inventories (before provision) as of December 31, 2025 had been subsequently consumed or sold.

Trade and Other Receivables

During the Track Record Period, our trade and other receivables primarily represent receivables from customers. The credit period granted to our customers was generally 0 to 90 days from the date of invoice. The following table sets forth our trade and other receivables, as of the dates indicated:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Trade receivables, net of loss allowance			
— Third parties	184,059	206,470	288,787
— Related party	—	15,863	19,616
Bills receivables	8,886	17,650	17,951
Prepayment for purchase of chipsets, raw materials and service	23,332	95,552	104,288
Other receivables	2,303	5,523	957
	218,580	341,058	431,599
Non-current			
Guarantee deposits	8,696	8,610	5,685
Rental deposits	2,801	2,848	2,064
Prepayment for purchase of plant, property and equipment	14,438	490	242
	25,935	11,948	7,991
Total	244,515	353,006	439,590

Our trade and other receivables increased from RMB244.5 million as of December 31, 2023 to RMB353.0 million as of December 31, 2024, primarily due to an increase of RMB58.3 million in prepayment mainly for purchase of chipsets, raw materials and services which is generally in line with our business growth. Our trade and other receivables further increased from RMB353.0 million as of December 31, 2024 to RMB439.6 million as of December 31, 2025, primarily due to (i) an increase in trade receivables, net of loss allowance from third parties of RMB82.3 million due to an increase in the sales volume to certain of major customers in our comprehensive chips and modules business, and (ii) an increase of RMB8.7 million in prepayment for purchase of chipsets, raw materials and service as a result of our strategic inventories build up at the end of 2025, in anticipation of growing market demand for our products in the foreseeable future.

The following table sets forth an aging analysis of our trade receivables at the end of each year of the Track Record Period, based on the invoice dates and net of loss allowance:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	157,488	185,531	280,363
One to two years	24,256	29,696	15,489
Two to three years	2,315	7,106	12,551
Total	184,059	222,333	308,403

We generally recovered trade receivables within one year. Our trade receivables aged one to two years increased significantly as of December 31, 2023, which was primarily related to the extended payment period for certain customers of our GNSS chips, modules and related solutions business. We seek to maintain strict control over our trade receivables and overdue balances are reviewed monthly by senior management. There was no material recoverability issue for our trade receivables as of the end of each year during the Track Record Period. 90.9% of our outstanding trade receivables as of December 31, 2025 aged less than one year and our trade receivables shall be generally settled within one year, which were in line with our credit terms granted.

The table below sets forth the turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	105	88	96

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.

Our trade receivables turnover days decreased from 105 days in 2023 to 88 days in 2024 as we strengthened customer credit policy and payment collection in 2024. Our trade receivables turnover days increased from 88 days in 2024 to 96 days in 2025, primarily due to an increase in the sales volume to customers who were granted longer credit term in our comprehensive chips and modules business.

As of April 30, 2026, RMB234.2 million or 67.0% of our gross trade receivables (before loss allowance) as of December 31, 2025 had been subsequently settled. In 2023, 2024 and 2025, our loss allowance was RMB11.9 million, RMB25.9 million and RMB41.0 million, representing 6.1%, 10.4% and 11.7% of our total trade receivables, respectively. Excluding the impact of a full provision made against a long-aged receivable of RMB11.0 million from a certain customer, our loss allowance would have been RMB11.9 million, RMB14.9 million, and RMB30.0 million, representing 6.1%, 6.3%, and 8.9% of our total trade receivables, respectively. Our Directors consider that although certain trade receivables may be uncollectible, such amounts are immaterial relative to our total trade receivables.

Trade and Other Payables

Our trade and other payables include (i) trade payables, which primarily related to payments due to suppliers; (ii) accrued staff costs, which primarily related to performance bonus payable to employees accrued at the end of each period; (iii) other payables and accrued charges, which primarily include payables for asset purchases; (iv) refund liabilities; and (v) bills payables. The following table sets forth our trade and other payables, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	42,743	69,577	109,958
Accrued staff costs	19,040	22,225	20,962
Other payables and accrued charges	23,240	22,695	46,516
Refund liabilities	7,859	10,258	283
Bills payables	—	11,595	9,334
Total	92,882	136,350	187,053

Our trade and other payables increased from RMB92.9 million as of December 31, 2023 to RMB136.4 million as of December 31, 2024, primarily due to (i) an increase in trade payable from RMB42.7 million as of December 31, 2023 to RMB69.6 million as of December 31, 2024, generally in line with our business growth; and (ii) our bills payables of RMB11.6 million as of December 31, 2024, primarily because we settled with a certain supplier by bank draft.

Our trade and other payables increased from RMB136.4 million as of December 31, 2024 to RMB187.1 million as of December 31, 2025, primarily due to (i) an increase in trade payable from RMB69.6 million as of December 31, 2024 to RMB110.0 million as of December 31, 2025, generally in line with our business growth, particularly the increased procurement activities within our comprehensive chips and modules business; and (ii) an increase of RMB23.8 million in other payables mainly driven by the professional fees related to the **[REDACTED]**.

The following table sets forth the aging analysis of our trade payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	38,679	60,310	98,227
One to two years	2,890	7,166	6,216
Two to three years	382	956	4,226
Over three years	792	1,145	1,289
Total	42,743	69,577	109,958

During the Track Record Period, the credit period granted to us would be around 0 days to 90 days by our suppliers from the date of invoice. Our trade payables aged one to two years increased from RMB2.9 million as of December 31, 2023 to RMB7.2 million as of December 31, 2024, primarily due to the increase in trade payables for projects of GNSS-related solutions that have not yet reached the end of the warranty period. Our trade payables aged one to two years decreased from RMB7.2 million as of December 31, 2024 to RMB6.2 million as of December 31, 2025 and our trade payable aged two to three years increased from RMB1.0 million as of December 31, 2024 to RMB4.2 million as of December 31, 2025, primarily because certain unsettled trade payables aged one to two years rolled over to trade payables aged over two to three years as of the same date.

The following table sets forth our average trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days[(1)]	28	27	36

Note:

(1) Trade payables turnover days were calculated based on the average of opening and closing trade payables balance divided by cost of sales for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.

Our trade payables turnover days remained stable in 2023 and 2024. Our trade payables turnover days increased from 27 days in 2024 to 36 days in 2025, primarily because (i) a new customer in our comprehensive chips and modules business was granted a longer payment cycle, supported by 90-day promissory notes issued to the original supplier starting October 2024, and (ii) a major module OEM changed its payment terms from seven days after delivery to 20 days at month-end, effective from April 2025.

As of April 30, 2026, RMB61.9 million or 56.3% of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

We receives a certain portion deposit from customers when they sign the sale and purchase agreement. This gives rise to contract liabilities at the start of a sales order, until the revenue recognized on the corresponding sale order exceeds the amount of payments received in advance.

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations. We generally grant our customers credit terms and may collect advances from customers on a case-by-case basis considering the associated credit risks. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB27.7 million, RMB62.1 million and RMB75.4 million, respectively. Fluctuations of our contract liabilities are in line with the fluctuation of pre-sales amount.

As of April 30, 2026, RMB49.0 million or 65.0% of our contract liabilities as of December 31, 2025 had been recognized in revenues upon fulfilment of performance obligations.

INDEBTEDNESS

Our indebtedness primarily consist of (i) bank loans and other borrowing, and (ii) lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans and other borrowing	36,941	45,755	72,058	63,651
Lease liabilities				
— Current	10,911	11,347	4,517	2,782
— Non-current	16,491	4,804	1,966	1,512
Total indebtedness	64,343	61,906	78,541	67,945

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2026 and up to the Latest Practicable Date.

Bank Loans and Other Borrowing

The following table sets forth the carrying amounts of our interest-bearing bank loans and other borrowing as of the dates indicated:

	As of December 31			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Short-term bank loans				
— Guaranteed and unsecured	5,006	5,005	—	—
— Unguaranteed and unsecured	31,935	26,067	35,023	37,105
— Secured and unguaranteed	—	—	37,035	—
Discounted letter of credit				
— Unguaranteed and unsecured	—	14,683	—	26,546
	36,941	45,755	72,058	63,651

As of December 31, 2023, we had interest-bearing borrowings of RMB36.9 million with effective interest rates ranging from 3.0% to 3.65% per annum. In particular, RMB5.0 million were guaranteed by SFGFS. Such loans were fully repaid in 2024.

As of December 31, 2024, we had interest-bearing borrowings of RMB45.8 million, with effective interest rates ranging from 2.1% to 3.6% per annum. In particular, RMB5.0 million were guaranteed by SFGFS. RMB45.8 million will become due in 2025.

As of December 31, 2025, we had interest-bearing borrowings of RMB72.1 million, with effective interest rates ranging from 2.3% to 3.25% per annum. All the guarantees provided by related parties has been released upon the repayment of respective bank loans. The guaranteed and unsecured loans were guaranteed by a local government institution in Shanghai in 2023 and 2024. As of December 31, 2025, the secured and unguaranteed bank loan was pledged by an intellectual property of our Company.

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of April 30, 2026, our committed unutilized banking facilities was RMB233.0 million.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current	10,911	11,347	4,517	2,782
Non-current	16,491	4,804	1,966	1,512
Total	27,402	16,151	6,483	4,294

As of December 31, 2023, 2024 and 2025 and April 30, 2026, our lease liabilities were RMB27.4 million, RMB16.2 million, RMB6.5 million and RMB4.3 million, respectively. These lease liabilities primarily related to lease contracts of our R&D and office premises. Our lease liabilities decreased from RMB27.4 million as of December 31, 2023 to RMB16.2 million as of December 31, 2024, and decreased to RMB6.5 million as of December 31, 2025, and further decreased to RMB4.3 million as of April 30, 2026, because most of our lease contracts will be expired in 2026 and are normally amortized.

CONTINGENT LIABILITIES

We did not have any contingent liabilities as of December 31, 2023, 2024 and 2025, respectively. As of April 30, 2026, being the indebtedness date for the purpose of the indebtedness statement, we did not have any contingent liabilities. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since April 30, 2026 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of and for the year indicated:

	As of and for the year ended December 31,		
	2023	2024	2025
Gross profit margin(1)	10.5%	9.8%	11.1%
Current ratio(2)	6.2	3.9	2.9
Quick ratio(3)	5.6	3.6	2.7
Gearing ratio(4)	3.5%	4.9%	8.6%

Notes:

(1) Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%.

(2) Current ratio is calculated by current assets divided by our current liabilities as of the year end.

(3) Quick ratio is calculated by current assets less inventories divided by our current liabilities as of the year end.

(4) Gearing ratio is calculated by bank loans and other borrowing divided by the total equity for the respective year and multiplied by 100.0%.

Gross Profit Margin

See "— Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

Our current ratio decreased from 6.2 times as of December 31, 2023 to 3.9 times as of December 31, 2024 and our quick ratio decreased from 5.6 times as of December 31, 2023 to 3.6 times as of December 31, 2024, primarily due to the increase in current liabilities and the decrease in current assets. The increase in current liabilities was primarily due to (i) an increase in trade and other payables of RMB43.5 million; and (ii) an increase in contract liabilities of RMB35.5 million. The decrease in current assets was primarily due to (i) a decrease in cash and cash equivalents of RMB141.2 million; and (ii) a decrease in inventories and contract costs of RMB25.7 million.

Our current ratio decreased from 3.9 times as of December 31, 2024 to 2.9 times as of December 31, 2025 and our quick ratio decreased from 3.6 times as of December 31, 2024 to 2.7 times as of December 31, 2025, primarily due (i) a decrease of RMB124.9 million in cash and cash equivalents driven by the cash used in operating activities and payment for the purchase of production equipment, and (ii) an increase of RMB 50.7 million in trade and other payables driven by our increased procurement within our comprehensive chips and modules business, partially offset by the increase of RMB90.5 million in trade and other receivables in line with our business expansion.

Gearing Ratio

Our gearing ratio increased from 3.5% as of December 31, 2023 to 4.9% as of December 31, 2024 due to an increase of our bank loans and other borrowing from RMB36.9 million as of December 31, 2023 to RMB45.8 million as of December 31, 2024.

Our gearing ratio increased from 4.9% as of December 31, 2024 to 8.6% as of December 31, 2025, due to an increase in our bank loans and other borrowing from RMB45.8 million as of December 31, 2024 to RMB72.1 million as of December 31, 2025.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consist of expenditures on the additions to property, plant and equipment and intangible assets. Our payment for the purchase of property, plant and equipment and intangible assets amounted to RMB29.4 million, RMB17.2 million and RMB31.3 million in 2023, 2024 and 2025, respectively.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for the renovation of our leased premises. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the **[REDACTED]** from the **[REDACTED]**.

Capital Commitments

We did not have any capital commitments as of December 31, 2023, 2024 and 2025.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily include but not limited to purchase of raw materials from and sales of products to certain related parties that were trade in nature.

As of December 31, 2023, 2024 and 2025, amounts due from related party was nil, RMB15.9 million and RMB19.6 million, respectively. For detail of our related party transactions, see note 28 to the Accountants' Report in Appendix I to this document.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents, bills receivable and restricted cash is limited because the counterparties are banks and financial institutions which we consider to represent low credit risk. Our exposure to credit risk arising from refundable guarantee deposits is considered to be low, taking into account the historical default experience and forward-looking information. Our exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the landlords' credit rating and the remaining lease term and the period covered by the rental deposits. For more details, see note 27(a) to the Accountants' Report included in Appendix I to this document.

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For more details, see note 27(b) to the Accountants' Report included in Appendix I to this document.

Interest Rate Risk

Our interest rate risk arises primarily from bank loans and other borrowing, lease liabilities, restricted cash and cash at banks. We have not hedged interest rate risk with derivative financial instruments. For more details, see note 27(c) to the Accountants' Report included in Appendix I to this document.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. As confirmed by our PRC Legal Advisors, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion, and the Joint Sponsors concur, that, taking into account the estimated **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including (i) expected cash generated from operating activities and (ii) our cash and cash equivalents of approximately RMB311.1 million (excluding the balance of wealth management products and including restricted cash) and approximately RMB233.0 million in committed unutilized banking facilities as of April 30, 2026, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

Historically, we have been able to obtain bank and other borrowings when needed, and we believe that our healthy relationships with banks will continue to support our borrowing needs in the future. We closely monitor and manage our cash position and requirements to ensure that we have sufficient working capital for our operations.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company did not have reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Based on the **[REDACTED]** **[REDACTED]** of **[REDACTED]** per Share, the total estimated **[REDACTED]** expenses in relation to the **[REDACTED]** are **[REDACTED]** (**[REDACTED]**), assuming the **[REDACTED]** is not exercised, which constitute approximately **[REDACTED]** of the **[REDACTED]**. Our total **[REDACTED]** expenses consist of (i) **[REDACTED]**-related expenses of **[REDACTED]** (**[REDACTED]**); and (ii) non-**[REDACTED]**-related expenses of **[REDACTED]** (**[REDACTED]**), including (a) fees payable to legal advisors and Reporting Accountants of **[REDACTED]** (**[REDACTED]**) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of **[REDACTED]** (**[REDACTED]**). During the Track Record Period, we incurred **[REDACTED]** expenses of **[REDACTED]** (**[REDACTED]**), of which **[REDACTED]** (**[REDACTED]**) was recognized in our statements of profit or loss up to December 31, 2025, and **[REDACTED]** (**[REDACTED]**) was recognized as prepayments in our statements of financial position as of December 31, 2025, to be accounted for as a deduction from equity upon the **[REDACTED]**. Out of the **[REDACTED]** expense to be charged subsequent to the Track Record Period, we estimate approximately **[REDACTED]** (equivalent to **[REDACTED]**) will be charged to our consolidated statement of profit or loss. The remaining balance of approximately **[REDACTED]** (equivalent to **[REDACTED]**) is expected to be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of our latest audited financial statements, and there had been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.