You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [**REDACTED**] *of our* [**REDACTED**] *could decline, and you may lose all or part of your investment.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in the highly competitive NEPV market in China, and we may not be able to compete effectively.

The China NEPV market is highly competitive. Since we are strategically focused on offering new luxury NEPVs, we directly compete with major players in China's new luxury NEPV market, including both pure-play NEPV companies and traditional OEMs that also produce NEPVs. Our current competitors and new market entrants may have significantly greater financial, technical, manufacturing, marketing and branding, talents, or other resources than we do, and may be able to devote greater resources to the design, development, manufacturing, marketing, sales and support of their vehicles.

Competition in the NEPV market in China may intensify in the future. Factors affecting competition include, among others, technological innovation, product quality and safety, product pricing, design and styling, sales efficiency, manufacturing efficiency, quality of services, branding and financial terms. Increasing competition may lead to lower vehicle sales and increasing inventory, which may result in downward pricing pressure. Between 2023 and 2025, due to industry capacity expansion and frequent price reductions by major competitors, we experienced downward pricing pressure. According to F&S, the average price of new energy vehicles decreased from RMB184,000 in 2023 to RMB180,000 in 2024 and RMB161,000 in 2025, reflecting structural changes in NEV consumption patterns. Our ability to successfully compete against other NEPV brands will be fundamental to our market share and long-term success. We cannot assure you that we will be able to compete successfully in the market we operate in. If our competitors successfully compete with our vehicles with more competitive prices or products, our profitability and results of operations may be materially and adversely affected.

Our future growth depends on consumers' demand for our NEPVs.

During the Track Record Period, a majority of our revenue was generated from vehicle sales, particularly NEPV sales. The demand for our NEPVs depends upon consumers' demand for and adoption of NEPVs, including, but not limited to, pure electric and range-extended powertrain variations. Factors that may influence consumer adoption of NEPVs include, but are not limited to: (i) perceptions about NEPV quality, design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of NEPVs, whether or not such vehicles are produced by us or others; (ii) perceptions about vehicle safety; (iii) maintenance and repair services for NEPVs; (iv) concerns about driving range associated with battery limitation; (v) access to charging stations and cost of charging vehicles; (vi) the availability of tax and other governmental incentives to purchase and operate NEPVs; (vii) concerns about electric grid capacity and reliability and the availability of other supporting infrastructure; (viii) improvements in the fuel economy of the ICE vehicles; and (ix) macroeconomic factors. Any of the factors described above may cause fluctuations in consumers' demand for our vehicles. If consumers do not adopt NEPVs at the pace we anticipate, or if preferences shift away from the powertrain variations we offer, our business, financial condition and results of operations could be adversely affected.

Our industry is rapidly evolving, and technological breakthroughs in alternative NEPV technologies may adversely affect demand for our vehicles.

During the Track Record Period, we primarily operate in the China NEPV market, which is undergoing significant changes and whose future development remains unforeseeable. We may be unable to keep pace with advances in NEPV technology, which could undermine our competitiveness. Our research and development to adapt to technological changes and introduce new models may not yield successful or timely results. If our R&D does not generate the expected outcomes, we may be unable to effectively upgrade our vehicles or integrate new technologies, which could limit our ability to respond to market trends. Adapting to new technologies may also incur substantial costs, reduce the return on investment for existing models and negatively impact the demand for our vehicles. We cannot assure you that we will be able to compete effectively with other NEPVs and integrate the latest technology into our vehicles against the backdrop of our rapidly evolving industry. Even if we are able to keep pace with changes in technology and develop new models, our previous models could become outdated more quickly than expected, potentially reducing our return on investment.

Our business and results of operations may be adversely affected if our collaboration with Changan Automobile is terminated or curtailed or no longer mutually beneficial.

A significant part of our collaboration with Changan Automobile involves the manufacturing of our vehicles. See "Business — Manufacturing — Partnership with Changan Automobile." Since our inception, we have partnered with Changan Automobile for the manufacturing of our vehicles pursuant to certain vehicle manufacturing and supply agreements. During the Track Record Period, our purchases from Changan Automobile and its subsidiaries comprised procurement of raw materials and manufacturing services and amounted to RMB2,797.3 million, RMB3,023.2 million and RMB3,042.4 million in 2023, 2024 and 2025, respectively, representing 36.0%, 21.4% and 13.3% of our total purchase amount for the same years, respectively. During the Track Record Period, all of our manufacturing expenses were procured from Changan Automobile, amounting to RMB188.1 million, RMB312.5 million and RMB568.8 million in 2023, 2024 and 2025, respectively. These agreements cover the full life cycle of vehicle production, including process design, production line construction and modification, and mass manufacturing. However, manufacturing in collaboration with Changan Automobile may be subject to operational risks that are outside our control. For instance, any failure by Changan Automobile to meet agreed-upon production timelines or any capacity constraints could result in delays in the delivery of our vehicles to customers, which may adversely affect our brand, financial condition and results of operations. The volume of vehicles manufactured could also fall short of expectations if there are adverse changes in Changan Automobile's liquidity position that prevent it from fulfilling its manufacturing obligations. Furthermore, our ability to build a premium brand could be negatively impacted if the quality of our vehicles produced by Changan Automobile does not meet our standards. If we are unable to maintain collaboration with Changan Automobile at reasonable prices, or if such collaboration were to end, we may need to find alternative business partners to produce our vehicles or commit significant capital investment in starting our own manufacturing facilities, which could materially and adversely affect our business, financial condition and results of operations.

Changan Automobile has also granted us a permanent and exclusive license to use the "阿維塔" ("AVATR") trademarks, with the right to further sublicense as necessary. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Trademark Licensing Framework Agreement." However, during our collaboration with Changan Automobile, we may not be able to retain our current business arrangement with them. If there is any change in the business arrangement, including the trademark licensing arrangement, with Changan Automobile, such as changes in payment schedule, product delivery and trademark uses, our liquidity, business and financial condition may be materially and adversely affected. We also cannot assure you that we will continue to maintain our close collaboration with Changan Automobile in the future. There can be no assurance that we can renew our cooperation agreements with Changan Automobile on current terms, or at all. Any change in the contract terms of our agreements with Changan Automobile, such as terms on payment periods, transaction amounts or trademark uses, may materially and adversely affect our production and operations.

We are, or may be, subject to risks associated with strategic alliances or acquisitions.

We have entered into, and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with our Shareholders and various third parties to further our business from time to time. See "Business — Our Relationship with Counterparties." While we benefit from these alliances, collaborations with Changan Automobile or third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties and increases in expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. To the extent Changan Automobile and any third parties suffer negative publicity or harm to their reputation from events relating to their businesses, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such parties.

We may, from time to time, acquire assets, technologies or businesses that are complementary to our existing business. Such acquisitions may require shareholder, regulatory or other approvals, which could delay or prevent completion and increase transaction costs. They may also require significant financial and management resources, involve cash expenditure or share issuances, and expose us to impairment risks or unknown liabilities. There is no assurance that any acquired business or asset will perform as expected or contribute positively to our financial performance.

Delays in the development and launch of new vehicle models in our pipeline could materially and adversely affect our business.

We plan to launch new vehicle models or upgrade existing models on an annual basis as we ramp up our business. However, delays in the development, manufacturing and commercial release of new vehicle models are common in the NEPV market. We intend to target a broader customer base with our future vehicle models. Any delay in the launch of these models could hinder our growth prospects and limit our ability to capture market opportunities and expand our market share. In addition, we plan to periodically refresh or perform facelifts on existing models to maintain competitiveness and brand appeal. Delays in executing these updates may negatively impact our brand recognition and customer perception. Furthermore, we rely on Changan Automobile to manufacture our vehicles and on third-party suppliers for the provision and development of many of the key components and materials used in our vehicles. Any disruption in such manufacturing partnership or delay in the supply of these components may result in delays in production schedules and delivery timelines. The occurrence of any such event, including delays in the delivery or launch of future models or upgrades for AVATR 11, AVATR 12, AVATR 07 and AVATR 06/06T, could lead to customer complaints and significantly harm our reputation, demand for our vehicles and our results of operations.

We rely on suppliers for raw materials, components, software and services essential to our vehicles, and this may adversely affect our business operations.

We collaborate with third-party suppliers for raw materials, components, software and services related to our vehicles. Our major suppliers are suppliers of automotive parts and components and vehicle service providers. In 2023, 2024 and 2025, procurement from our five largest suppliers in each year during the Track Record Period were RMB6,862.5 million, RMB9,249.1 million and RMB12,718.6 million, respectively, accounting for 88.4%, 65.3% and 55.5% of our total purchase amount in the same year, respectively. In 2023, 2024 and 2025, purchases from our largest supplier in each year during the Track Record Period were RMB2,797.3 million, RMB3,023.2 million and RMB4,969.5 million, respectively, accounting for 36.0%, 21.4% and 21.7% of our total purchase amount in the same year, respectively. Any defects or quality issues or any non-compliance incidents associated with these suppliers could adversely affect the quality of our vehicles, damage our brand image and negatively impact our results of operations. Additionally, we cannot assure you that our suppliers will comply with ethical business practices, including environmental responsibilities, fair wage policies and labor law requirements. Any failure to demonstrate such compliance may compel us to seek alternative suppliers, which could increase our costs and result in delays in product delivery, shortages, or other operational disruptions. If we experience any disruption in procurement with such suppliers, we cannot assure you that we will be able to successfully retain alternative third-party suppliers or supplies on a timely basis, on acceptable terms, or at all, which may have a material adverse impact on our business operations.

Our business and prospects depend on our ability to establish, maintain and enhance the "AVATR" brand, and failure to do so could adversely affect our reputation and business.

Our business and prospects depend significantly on our ability to establish, maintain and enhance the recognition and reputation of the "AVATR" brand. Failure to do so may materially and adversely affect our ability to attract and retain customers, and could negatively affect our financial performance and market position. Our brand development strategy is closely tied to our ability to deliver high-quality vehicles and services, and engage effectively with our customers. In particular, our branding initiatives rely heavily on the development of a user community through our proprietary mobile application, the AVATR app, and on digital marketing campaigns involving a network of Key Opinion Consumers across various social media platforms. See "Business — Customer and User Engagement." These strategies may not yield the intended results.

In addition, any actual or perceived incidents, whether or not attributable to us, could result in adverse publicity. Given the widespread use of social media platforms in China, negative information can spread rapidly and significantly impact consumer perception and confidence in our brand. We may also be affected by adverse publicity involving our business partners, including Changan Automobile, CATL and Yinwang, regardless of whether such publicity is directly related to their collaboration with us. Furthermore, our vehicles are subject to reviews and evaluations by third parties. Unfavorable comparisons with competitors or negative assessments may adversely influence consumer sentiment and purchasing decisions, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

We have a limited operating history, which makes it difficult to evaluate our business and future prospects.

We commenced our business operations in 2018 and have a limited operating history across various aspects of our business operations, including designing, developing, testing, marketing and sales of our vehicles, as well as the provision of related services. We began to deliver vehicles in December 2022, and our limited operating history may affect our ability to execute our business strategies as planned. You should consider our business and prospects with regard to the risks and challenges we face as a new market player in our industry, including, but not limited to, our ability to: (i) design and deliver vehicles of consistent and reliable quality, with competitive features; (ii) enhance and optimize our proprietary technologies; (iii) maintain and deepen collaboration with our strategic partners; (iv) expand our sales and service network; (v) expand our customer base; (vi) deliver engaging user experience and high-quality customer service; (vii) effectively market our NEPVs and related services, and strengthen our brand awareness; (viii) improve cost efficiency and economies of scale; and (ix) expand into overseas markets. If we are unable to address any of the above risks and challenges effectively, our business, financial condition and results of operations may be materially and adversely affected.

Change in government policies that are favorable for NEPVs or domestically manufactured vehicles could materially affect our business.

Our business has benefited from government policies, subsidies and economic incentives that are favorable to the growth of NEPVs. However, these favorable policies are subject to change. For example, the PRC government has implemented increasingly stringent vehicle emission standards for ICE vehicles. Our range-extended powertrain models, which are equipped with both range-extending systems and electric drive motors, must comply with both sets of standards. If the NEPV energy consumption standards and vehicle emission standards become significantly stricter, we may be required to invest additional resources to upgrade our existing models or develop new ones, which may not be technically or financially feasible, and could materially and adversely affect our business, financial condition and results of operations.

In addition, changes in classification of NEPVs and license plate policies have impacted, and may continue to impact, our business. In certain cities in China, municipal governments impose quotas and lottery or bidding systems to limit the number of license plates issued to ICE vehicles, while exempting NEPVs from such restrictions to promote the market. However, with the increasing adoption of NEVs, some cities have narrowed the scope of these exemptions. Changes in government policies on the classification of NEPVs and license plates, at a local or central level, may materially and adversely affect the demand for our existing and future range-extended powertrain models, which, in turn, could materially and adversely affect our business, financial condition and results of operations. Furthermore, changes in government incentives or subsidies to support NEPVs could adversely affect our business.

We have incurred net losses during the Track Record Period and may not be able to achieve or subsequently maintain profitability in the near future.

As we were still in the ramp-up phase of business and continued to invest heavily in R&D and sales and marketing to support future growth, we recorded losses before income tax of RMB3,692.5 million, RMB4,018.0 million and RMB3,487.1 million in 2023, 2024 and 2025, respectively. You should not rely on the revenue of any prior period as an indication of our future performance. Our ability to achieve profitability will depend largely on the successful launch of new models and continued growth in sales, which may be challenging to materialize or be sustainable. To the extent our product variety, design and product cycles do not meet consumer expectations, or we are unable to achieve our projected timelines or cost and volume targets, our future sales may be adversely affected. If our existing vehicle models fail to remain attractive to users, or if new models are not launched on schedule or are not well-received by the market, our sales volume could be adversely affected, which in turn may materially and adversely affect our business, financial condition and results of operations. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations and invest in R&D and geographic expansion. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenue and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability and may thus be unable to declare and pay dividends in the future.

We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflows from operating activities in the future.

We recorded net cash outflows from operating activities of RMB800.9 million in 2023. See "Financial Information — Liquidity and Capital Resources — Net Cash Generated from/(Used in) Operating Activities." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us, or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default on our payment obligations and may not be able to expand our business. Thus, our business, financial condition and results of operations may be adversely affected.

Increases in costs of the materials and other components that we use in our vehicles would adversely affect our business, financial condition and results of operations.

We may not be able to obtain stable, high-quality raw materials and components at reasonable prices at all times. In 2023, 2024 and 2025, our raw material costs and manufacturing expenses amounted to RMB5,247.6 million, RMB13,073.9 million and RMB21,373.0 million, respectively, accounting for 90.2%, 91.9% and 92.1% of our total cost of sales during the same respective years. The prices and supply of raw materials and key components, including automotive-grade semiconductors, are subject to fluctuations beyond our control. For example, we experienced shortages and price increases of chips during 2022 and 2023 due to strong market demand and supply chain disruptions, which increased our procurement costs and could adversely affect our margins and operations. Although supply conditions have improved since the second half of 2023, we cannot assure you that similar disruptions or price fluctuations will not recur. Competitive and market pressures limit our ability to recover increases in costs through increases in prices we charge to our customers. The inability to pass on price increases to our customers when raw material or components prices increase rapidly or are significantly higher than historic levels would adversely affect our business, financial condition and results of operations.

Failure to obtain or maintain any government grants or preferential tax treatments could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we benefited from certain government grants, some of which are non-recurring in nature or are subject to periodic review. In 2023, 2024 and 2025, we had government grants in other income of RMB13.2 million, RMB21.7 million and RMB38.7 million, respectively. In addition, we have been approved as High and New Technology Enterprises under relevant tax rules and regulations, and accordingly were subject to a preferential EIT rate of 15.0% during the Track Record Period. However, the PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, financial condition, results of operations and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

Failure to fulfill our contractual obligations could adversely affect our liquidity and financial condition.

Our contract liabilities primarily arise from payments received by us in advance of revenue recognition from our customers for vehicle sales. Our contract liabilities amounted to RMB499.3 million, RMB355.8 million and RMB532.6 million as of December 31, 2023, 2024 and 2025, respectively. There is no assurance that we will always be able to fulfill our obligations in respect of contract liabilities. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

We are subject to risks associated with driving assistance systems and may be subject to risks related to intelligent driving in the future.

Our vehicles are currently equipped with driving assistance systems and may incorporate intelligent driving systems in the future. Driving assistance and intelligent driving technology are complex and rapidly evolving, and are subject to various risks. From time to time, accidents involving vehicles equipped with similar technologies have been reported. The safety and effectiveness of such systems depend not only on the underlying technology but also on user interaction, and users may not be familiar with, or properly trained to use, such systems. To the extent that accidents involving our driving assistance or, in the future, intelligent driving systems occur, whether due to system failure, user misuse or other factors, we may be subject to product liability claims, increased regulatory scrutiny and additional compliance requirements. See "Regulatory Overview — Overview of Laws and Regulations in the PRC — Regulations Relating to Intelligent Connected Vehicles and Autonomous Driving." Any of the foregoing could materially and adversely affect our brand, financial condition and results of operations.

Our international strategy and ability to conduct business in overseas markets may be adversely affected by legal, regulatory, political and economic risks.

Our international expansion strategy and ability to conduct business in overseas markets may be subject to various legal, regulatory, political and economic risks. We are actively expanding our business into new geographic markets, including Southeast Asia, the Middle East, Latin America, Europe and other regions. These markets may present competitive dynamics, consumer preferences and spending behaviors that differ significantly from those in our existing markets, and may be more difficult to anticipate or address. In these markets, we may have limited operating experience and may face local competitors with better brand recognition, market knowledge and customer relationships. We may also face protectionist policies, regulatory barriers, local licensing and certification requirements, customs, import/export, tax and trade restrictions, and foreign exchange fluctuations, any of which could hinder our overseas expansion or increase our costs.

International expansion may require substantial capital investment and management resources, which could strain our financial and operational capacity and add complexity to our existing business. We are subject to PRC laws as well as the laws and regulations of the jurisdictions in which we operate. Any actual or alleged non-compliance by us, our affiliates or agents with applicable laws may result in sanctions, penalties or reputational harm. In addition, we may face challenges in complying with local regulatory and safety standards, building charging and service infrastructure, attracting and retaining local talent, identifying suitable local business partners, adapting our policies and procedures to local requirements, and complying with data privacy, cybersecurity and cross-border data transfer requirements. If we fail to manage these risks, our international expansion may be delayed or unsuccessful, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to provide our customers with satisfactory services, our business and reputation may be materially and adversely affected.

Our business and reputation depend significantly on our ability to deliver satisfactory customer service and maintain a high level of user engagement. There is no assurance that our service offerings or our efforts to engage users through both online and offline channels will be successful. Any failure to meet customer expectations may adversely affect user satisfaction, brand perception and, ultimately, our business and results of operations. We also rely on third-party service providers to deliver certain customer-facing services, including roadside assistance, vehicle logistics and after-sales support. The availability, reliability and quality of these services are outside our direct control. If any of these third-party services become unavailable, are delayed, or fail to meet expected standards, our customers' experience may be negatively impacted, which could materially and adversely affect our brand, business and financial condition and results of operations. In addition, our ability to establish and scale a comprehensive service network is critical to supporting our growth and maintaining customer satisfaction. If we are unable to roll out a sufficiently widespread and high-quality service infrastructure, our ability to retain and attract customers may be compromised, which could materially and adversely affect our sales performance and results of operations.

We are subject to risks associated with battery safety and performance.

As our NEPVs are equipped with power batteries, we are subject to risks associated with battery performance degradation, safety concerns, supply constraints and technological limitations. We currently adopt NEPV power solutions provided by CATL, including Qilin battery, Shenxing Plus supercharging battery and Freevoy Super Hybrid Battery. Any failure of our battery systems, whether due to design, supplier-related issues, manufacturing defects or external factors, could result in vehicle malfunctions, accidents, product recalls, litigation or regulatory investigations. These outcomes could be costly, time-consuming and materially and adversely affect our reputation and operations. Moreover, any future incident involving lithium-ion batteries, regardless of whether it involves our vehicles, could undermine public confidence in the NEPV market as a whole. Negative consumer sentiment or heightened regulatory scrutiny arising from such incidents may materially and adversely affect our business, financial condition and results of operations.

Our business is subject to seasonal fluctuations.

Our results of operations may vary significantly from period to period due to many factors, including seasonal ones that may have an effect on the demand for our vehicles. Demand for new cars typically declines around the Chinese New Year holiday, while vehicle sales are generally higher in the fourth quarter. Our limited operating history makes it difficult for us to judge the exact nature of the seasonality of and its impact on our business. We may not be able to maintain our revenue at similar levels in subsequent years or periods for that model.

We may not be able to effectively manage and develop our distribution network and self-operated stores, or efficiently sustain our business relationships with, or manage, our distributors and customers.

As of December 31, 2025, our sales and service network consisted of 14 self-operated stores and 673 distributor-operated stores. We may need to invest a significant amount of capital and management resources to operate existing self-operated stores and open new ones, and there can be no assurance that we will be able to improve the operational efficiency of our self-operated stores. As a result, we may not achieve the desired results of increasing sales and enhancing our brand awareness in a cost-efficient manner with such expansion. The rate of expansion of our self-operated stores and distributor-operated stores may not fully meet our customers' expectations, and this could adversely affect our brand recognition, business, financial condition and results of operations.

While our distributorship model enables us to pursue an asset-light expansion strategy, such model is subject to a number of risks. We may not be able to identify, attract and retain a sufficient number of distributors with the requisite experience and resources to operate these stores. Although we offer the same training courses and implement the same service standards for staff in both self-operated stores and distributor-operated stores, we do not have complete control over how our distributors operate their businesses. If our distributors and their staff fail to deliver high-quality customer services, resolve customer complaints in a timely manner, perform at a standard in accordance with the terms of our agreements or perform inconsistently with our business strategy, our brand image, reputation and user relationships may be adversely affected. This may, in turn, expose us to negative publicity and adversely affect our business, financial condition and results of operations.

Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our operations may be severely disrupted if we lose their services.

As our brand gains greater market visibility, we may face increased competition for talent from other companies, including potential poaching by competitors. The NEPV industry is characterized by intense competition for skilled professionals, particularly in areas such as hardware engineering, software development and user experience design. Our success depends significantly on the continued efforts of our executive officers, key employees and other qualified personnel. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Due to the scarcity of high-profile creative talent, we may not be able to identify or recruit suitable replacements in a timely manner, if at all.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or a contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. We are also vulnerable to natural disasters and other calamities because our warehouses, self-operated stores and information systems are susceptible to damage or disruption from fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, damage to our property, delays in production, breakdowns, system failures, technology platform failures or internet failures, which could result in disruptions to our business operations and adversely affect our business, financial condition and results of operations.

Cybersecurity, data protection and unauthorized access to our vehicle systems may adversely affect our business, reputation and results of operations.

We face significant challenges with respect to cybersecurity and data privacy, including the storage, transmission and sharing of personal information. We transmit and store personal information of our users related to the use of our vehicles. Our vehicles also incorporate connected information technology systems, including built-in data connectivity that enables remote software updates and related vehicle functions. Therefore, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. Any improper handling of personal information or any other information security incidents, such as unauthorized access to our consumer database by hackers, or unauthorized access to or manipulation of our vehicle systems, could result in safety incidents, loss of customer confidence, reputational damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

Regulatory requirements regarding data security and data protection are still under development and the interpretation and application thereof are also still under development and subject to change that may affect us. If we are unable to comply with the then-applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, business, results of operations and financial performance and/or could lead to civil or regulatory liabilities. Complying with new laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner that has a material and adverse effect on our business. For details of cybersecurity-related regulations, the relevant impact and our compliance therewith, see "Regulatory Overview — Regulations Relating to Cybersecurity and Data Security" and "Business — Cybersecurity, Data Privacy and Personal Information."

We may become subject to product liability claims, product recalls or similar actions, which could adversely affect our reputation, business and results of operations.

We may become subject to product liability claims if our vehicles do not perform as expected or malfunction, resulting in property damage, personal injury or death. Unauthorized modifications or installation of third-party products, including improper external cabling or unsafe charging outlets, may also affect vehicle safety and lead to accidents or negative publicity. Any such claim, whether or not successful, could require us to incur substantial costs, divert management attention, generate negative publicity and adversely affect the commercialization of our current or future vehicles. Our insurance coverage may not be sufficient to cover all potential product liability claims. During the Track Record Period and up to the Latest Practicable Date, there were a limited number of publicly reported incidents and market allegations involving our vehicles and related sales or service practices, including vehicle fire incidents, disputes relating to assisted driving or safety assistance functions, customer order or refund complaints, and allegations relating to product quality, advertising, internal operations or after-sales services. Any actual or perceived product quality, safety, advertising or service issue, whether or not ultimately substantiated or attributable to us, could give rise to customer complaints, adverse media coverage, regulatory inquiries, product liability claims, product recalls or reputational damage. If we fail to respond to such matters in a timely and appropriate manner, or if similar or more serious incidents, allegations or negative publicity occur in the future, our brand, business, financial condition and results of operations could be materially and adversely affected. For details, see "Business — Product Quality Control."

In the future, we may, voluntarily or involuntarily, initiate a recall if any of our vehicles, including any systems or parts sourced from our suppliers, are proved to be defective or non-compliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary or caused by systems or components engineered or manufactured by us or our suppliers, could involve significant expenses and could adversely affect our brand image, business and results of operations.

We may need to defend ourselves against claims for intellectual property infringement, which may be time-consuming and would cause us to incur substantial costs.

Entities or individuals, including our competitors, may hold or obtain patents, copyrights, trademarks or other proprietary rights that could prevent, limit or interfere with our ability to manufacture, use, develop, market or sell our vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise asserting their rights and urge us to obtain licenses to use such patents and intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were named as a co-defendant in one intellectual property claim due to our role as a downstream sales entity, which was subsequently withdrawn. Our applications and uses of trademarks relating to our design, software or technology could be found to infringe existing trademark ownership and rights. In addition, if we or our employees are determined to have infringed a third party's intellectual property rights, we may be required to cease the relevant products or services, pay damages, obtain licenses, redesign our offerings, or adopt alternative branding, any of which could result in significant costs and business disruption.

In the event of a successful claim of infringement against us and our inability to obtain a license to infringed technology or other intellectual property right, our business, financial condition and results of operations could be materially and adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention.

We may not be able to prevent others from unauthorized use of our intellectual properties, which could harm our business and competitive position.

We regard our patents, software copyright, trademarks, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. We have invested significant resources to develop our own intellectual property. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

We have limited insurance coverage, which could expose us to significant costs.

We have limited insurance coverage for our products and business operations. A successful liability claim against us, regardless of whether due to injuries suffered by our customers, could materially and adversely affect our business, financial condition and results of operations. Our insurances may not provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs, which could have an adverse effect on our business, financial condition and results of operations.

We recorded net current liabilities as of December 31, 2025, which may adversely affect our liquidity position and our ability to meet our short-term obligations.

As of December 31, 2025, we had net current liabilities of RMB8,284.6 million, primarily due to our substantial current liabilities relative to our current assets. Operating under a net current liability position exposes us to liquidity risks, and we may be required to secure additional financing, dispose of assets or adjust our business operations to satisfy our short-term obligations. Our ability to obtain additional financing depends on a number of factors, many of which are beyond our control, including market conditions, our financial performance and lenders' and investors' perception of our prospects. If we are unable to obtain sufficient financing on commercially acceptable terms, or at all, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our warranty reserves may be insufficient to cover future warranty claims.

Our warranty coverage comprises (i) a five-year or 120,000-kilometer warranty, whichever is reached first, for the entire vehicle; and (ii) an extended eight-year or 160,000-kilometer warranty, whichever is reached first, covering the battery, motor and electronic control systems. We reevaluate the adequacy of the warranty accrual on a regular basis. In 2023, 2024 and 2025, we recorded net warranty provisions of RMB129.1 million, RMB289.6 million and RMB231.3 million, respectively. We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to significant and unexpected warranty claims, resulting in significant expenses, which would, in turn, materially and adversely affect our business, financial condition and results of operations.

If we fail to effectively manage our inventory, our financial condition, results of operations, and prospects may be materially and adversely affected.

We are exposed to inventory risks that may adversely affect our business, financial condition, results of operations and prospects. In order to ensure timely production and delivery, we typically manufacture our vehicles based on customer orders, we determine our level of inventory in advance based on our forecast of customer demands. During the Track Record Period, our inventory primarily included raw materials and consumables, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, we had inventories of RMB2,509.3 million, RMB2,426.7 million and RMB2,124.1 million, respectively. Our inventory turnover days were 96.1 days, 63.3 days and 35.8 days in 2023, 2024 and 2025, respectively. Forecasting demand is inherently uncertain, and the actual demand for our vehicles may fluctuate between the time orders are placed and the expected delivery date. If our demand forecasts prove inaccurate, we may face risks of both inventory obsolescence and inventory shortages. Excess inventory could require us to record inventory write-downs or write-offs, or sell products at discounted prices, which may adversely affect our profitability. Conversely, underestimating demand may lead to shortages of raw materials, disruption of our production schedules, and delays in vehicle deliveries, potentially damaging our reputation. In addition, customers may cancel orders for reasons beyond our control, and we cannot assure you that placed orders will not be canceled or that such orders will ultimately convert into completed sales and deliveries. Any of these factors may materially and adversely affect our financial condition and results of operations.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We and our management may be involved in litigation and other legal proceedings during the ordinary course of business operations related to, among other things, products or other types of liability, labor disputes, contract disputes or intellectual property disputes. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become a party in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and lead to legal expenses and might result in settlements or outcomes that adversely affect our business, financial condition and results of operations.

We lease properties in various places as premises primarily for office use and self-operated stores. Any non-renewal of leases, substantial increase in rent or third-party challenge to our leasehold interest may affect our business and financial performance.

As we lease properties in various places as premises primarily for office use and self-operated stores, our operations are susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with respective lessors. There is no assurance that our existing leases would be renewed on similar or favorable terms, or at all, in particular with respect to the amount of rent and the term of each lease. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability. There is also no assurance that our existing leases will not be terminated by the lessors before the expiry of the relevant term.

As of the Latest Practicable Date, one of our leased properties had title defects, in relation to which the lessors have not provided us with property ownership certificates or other title documents, or evidence of the property owners' consent to sublease such properties. These defects may result in the properties being unusable or subject us to fines. If disputes or government actions arise due to these issues, we may face challenges in continuing to lease such properties and may be required to relocate. In the event of relocation, we could incur certain costs and face operational disruptions. Relocation could involve expenses related to finding and securing new premises, moving equipment and personnel, and potential downtime during the transition. Such disruptions could adversely impact our business operations, financial condition and results of operations.

Additionally, we were unable to file the lease agreements for registration with respect to 26 of our leased properties in China. The lack of registration of lease agreements does not affect their validity or result in us being required to vacate from these leased properties, but we may be ordered by relevant competent authorities to complete the registration within a designated time period and may be subject to fines from RMB1,000 to RMB10,000 for each lease agreement that we fail to register within the time period.

We are subject to certain risks relating to third-party payments.

During the Track Record Period, certain of our corporate customers and distributors (individually or collectively, the "**Relevant Customers**") settled transactions with us through the accounts of third parties chosen by these customers ("**Third-party Payment Arrangements**"). To the best of our knowledge, the designated third-party payors primarily consisted of persons affiliated with the Relevant Customers, such as shareholders and related parties. In 2023, 2024 and 2025, the number of the Relevant Customers was nil, 25 and 41, respectively. In 2023, 2024 and 2025, the aggregate amounts of revenue generated through Third-party Payment Arrangements amounted to nil, RMB153.7 million and RMB1,074.7 million, respectively, representing nil, 1.0% and 4.2% of our total revenue during the respective years. For details, see "Business — Third-Party Payment Arrangements."

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, such as possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors, as well as possible money-laundering risks. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us with respect to the demand for refund or return of third-party payment or for violation of or non-compliance with laws and regulations related to money-laundering, we may have to spend financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with any court ruling and return the payment for the products that we sold.

We may incur impairment losses for intangible assets, which may adversely affect our results of operations.

Our intangible assets consist of software, technology know-how and capitalized development expenditures. As of December 31, 2023, 2024 and 2025, our intangible assets amounted to RMB1,458.3 million, RMB2,872.9 million and RMB3,747.7 million, respectively. If, in the future, the carrying amount of our intangible assets is found to exceed their recoverable amount and is therefore deemed impaired, we will be required to write down the carrying amount or recognize an impairment loss for these assets in the period in which the impairment is identified. Intangible development assets that are not yet ready for use are not amortized and must undergo annual impairment testing, as well as additional testing whenever indicators of impairment arise. For more details, please refer to Note 15 to the Accountant's Report set out in Appendix I to this document. Impairment losses for intangible assets would adversely affect our results of operations and our financial condition.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE OUR BUSINESS

Changes in the economic, political and social conditions, as well as government policies, laws and regulations in the countries and regions where we operate could have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations are subject to the economic, political, social and legal environments of the countries and regions in which we operate, including the PRC, Germany and other jurisdictions. Any adverse developments in these areas could materially and adversely affect our operations and prospects. Governments around the world have implemented, and may continue to implement, various policies and regulatory measures to promote economic growth, manage industrial development and guide resource allocation. The NEPV market is particularly sensitive to macroeconomic conditions, including global and regional economic cycles, trade relations, employment levels, consumer confidence and discretionary spending. Any deterioration in these macroeconomic factors, or changes in government policies, laws or regulations, such as those relating to environmental protection, vehicle safety, taxation, foreign investment, or trade, could adversely affect demand for our products, increase our compliance costs, or otherwise disrupt our operations. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may affect our business, financial condition and results of operations.

Our business operations and financial performance can be influenced by various factors related to international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions. In 2025, the United States announced and implemented a series of tariff measures affecting imports from China and other jurisdictions, including reciprocal tariff measures and fentanyl-related tariff measures imposed under the International Emergency Economic Powers Act ("**IEEPA**"), and China and other jurisdictions announced retaliatory measures or plans in response. Following discussions between the United States and China in 2025, certain heightened tariff measures were suspended or reduced for a specified period. However, in February 2026, the U.S. Supreme Court held that IEEPA does not authorize the President to impose tariffs, which affected the legal basis for IEEPA-based reciprocal and fentanyl-related tariff measures. The U.S. administration may nevertheless seek to impose, maintain or replace tariff or trade restrictions through other statutory authorities, including Section 301, Section 232 and Section 122, and additional trade investigations and tariff proposals remain subject to further development. Although we did not purchase materials from, or conduct business or sales in, the United States during the Track Record Period, and we do not currently plan to enter the United States market in the foreseeable future, changes in international trade policies, tariffs, export controls, sanctions or other trade restrictions may affect us indirectly by increasing procurement costs, disrupting global supply chains, reducing demand in overseas markets, limiting access to certain technologies, components or customers, affecting our overseas expansion strategy, or adversely affecting investor sentiment toward China-based issuers and companies operating in the NEPV industry. In addition, future tariffs, sanctions, export controls or retaliatory measures may affect some of our customers, suppliers, raw materials, key components or technologies, and we may not be able to promptly secure alternative customers or sources of supply on commercially acceptable terms, or at all.

On October 28, 2024, the U.S. Department of the Treasury issued a final rule on outbound investment, or the Outbound Investment Rule, to implement the executive order of August 9, 2023, which became effective on January 2, 2025. The Outbound Investment Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau), collectively defined as "Covered Foreign Persons," that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics; (ii) quantum information technologies; and (iii) artificial intelligence systems. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "covered transactions." We do not engage in any activities relating to semiconductors and microelectronics, quantum information technologies, or artificial intelligence systems that fall within the scope of covered activities under the Outbound Investment Rule. In particular, we do not develop, customize or deploy any artificial intelligence systems that are designed to be used for, or are intended for use in, the control of robotics systems or mass surveillance end uses. As advised by our International Sanctions Legal Advisor, our business does not constitute any covered activities under Sections 850.217 or 850.224 of the Outbound Investment Rule, and we are therefore not a "Covered Foreign Person" as defined in the Outbound Investment Rule. However, if we were to be deemed a Covered Foreign Person due to changes in our business operations or amendments to relevant laws and regulations, our ability to raise capital in the future may be negatively affected.

The United States and other jurisdictions or organizations, including the EU, the United Nations, the United Kingdom and Australia, have, through executive orders, legislation or other regulatory means, implemented measures that impose economic sanctions and export controls against such countries or against targeted industry sectors, companies, entities and/or organizations and individuals within such countries. During the Track Record Period, we had sales to one non-sanctioned customer located in Russia and one non-sanctioned customer located in Belarus. Our sales to these customers involved fully assembled and finished vehicles and related parts and accessories solely for maintenance purposes, and did not involve assembly or manufacturing activities. Revenue generated from customers in Russia and Belarus accounted for nil, 0.4% and 1.6% of our total revenue for 2023, 2024 and 2025, respectively. Neither customer is a sanctioned target. Based on the limited scale and nature of such sales and our sanctions compliance framework, and as advised by our International Sanctions Legal Advisor, such transactions did not represent any violation of applicable primary sanctions or export control laws, and our exposure to secondary sanctions risks in connection with Russia and Belarus is fairly remote and immaterial under the current circumstances. To monitor and manage potential sanctions and export control risks, we have established a sanctions compliance framework, see "Business — Risk Management and Internal Control."

In addition, one of our indirect shareholders, China South Industries Group Corporation is included on the Non-SDN Chinese Military-Industrial Complex Companies List maintained by the U.S. Department of the Treasury. Based on the nature of such relationship and the advice of our International Sanctions Legal Advisor, we believe that such relationship does not currently subject us to applicable sanctions restrictions. However, sanctions laws, regulations, enforcement practices and market perception may continue to evolve, and any future changes may result in additional scrutiny or restrictions on our relationship with such indirect shareholder, which could adversely affect our reputation, business relationships, financing activities, investor sentiment or the marketability of our H Shares.

Geopolitical and trade conflicts may lead to financial market volatility, foreign exchange fluctuations, increased procurement costs, economic downturns, or additional tariffs, sanctions, export controls and other trade restrictions. Such developments may make it more difficult for us to sell our products in, or restrict our access to, certain markets, affect our customers or suppliers, or disrupt our access to raw materials, key components or technologies. If we are unable to secure alternative customers or sources of supply on commercially acceptable terms, our business, financial condition and results of operations could be adversely affected.

You should assess the legal protections you are entitled to under the legal system in the jurisdictions where we operate.

We are subject to the different applicable laws and regulations of the countries and regions where we operate. Our business and operations in China are subject to primarily written statutes, and prior court decisions offer limited precedential value. Furthermore, we cannot assure you that we can predict the effect of future legal developments in countries and regions where we operate, including the promulgation of new laws and changes in existing laws, and that these new regulations would not have a negative impact on our business and operation. In addition, legal proceedings may incur significant costs, divert our resources and negatively affect our management's focus on strategic planning and execution, which may materially and adversely impact our operational efficiency and overall business performance.

We are subject to the currency exchange regulatory system.

The conversion of RMB into foreign currencies should be in compliance with relevant laws and regulations. We receive the vast majority of our revenue in Renminbi. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency or otherwise satisfy our foreign currency-denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from, or registration with, competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may restrict access to foreign currencies for current account transactions in the future. If the foreign exchange regulatory system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.

We are incorporated under the laws of the PRC with limited liability and the majority of our business and operations are located in the PRC. In addition, the majority of our Directors and senior management reside in the PRC. The assets of these Directors and senior management may also be located within the PRC. It may be difficult for investors to effect service of process upon those persons residing in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside the PRC may be difficult or even impossible. Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of our H Shares by investors and dividends paid to investors on our H Shares may be subject to PRC tax.

Under the current PRC tax laws and regulations, non-PRC individuals and non-PRC enterprises are subject to different tax obligations with respect to dividends paid to them by us and any gains realized upon the sale or other disposition of our H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, in principle we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax of the MOF and the SAT (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and the SAT on May 13, 1994, dividend income of individual foreigners from PRC enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions had expressly provided whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities will be in accordance with the then-effective laws and regulations and may change, and new taxes may be imposed, which in either case may adversely affect the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and their liquidity and [REDACTED] may be volatile.

Prior to the [**REDACTED**], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [**REDACTED**]. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**].

We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]). However, the [**REDACTED**] on the Stock Exchange does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will not decline following the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could result in substantial losses to you.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the price of, and trading volumes for, our H Shares. A number of Chinese mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese mainland-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the [**REDACTED**], all existing Shareholders (including the [**REDACTED**] Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the [**REDACTED**] may be significantly affected. These factors may significantly affect the [**REDACTED**] and volatility of our H Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

The [**REDACTED**] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the H Shares in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the H Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

Actual or perceived sale or availability for sale of substantial amounts of our H Shares could adversely affect the [REDACTED] of our H Shares.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depends on various factors, including, but not limited to, our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy."

Certain facts, forecasts and other statistics in this document are derived from various publicly available official government sources which have not been independently verified and may not be reliable.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the industry in which we operate and other economic data. Such information and statistics are derived solely from official government sources, which have not been independently verified by us, any of the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of their respective directors and advisors, affiliates or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. You should therefore not place undue reliance on such information.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.