

INDUSTRY OVERVIEW

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GLOBAL AND CHINA NEW ENERGY PASSENGER VEHICLE INDUSTRY OVERVIEW

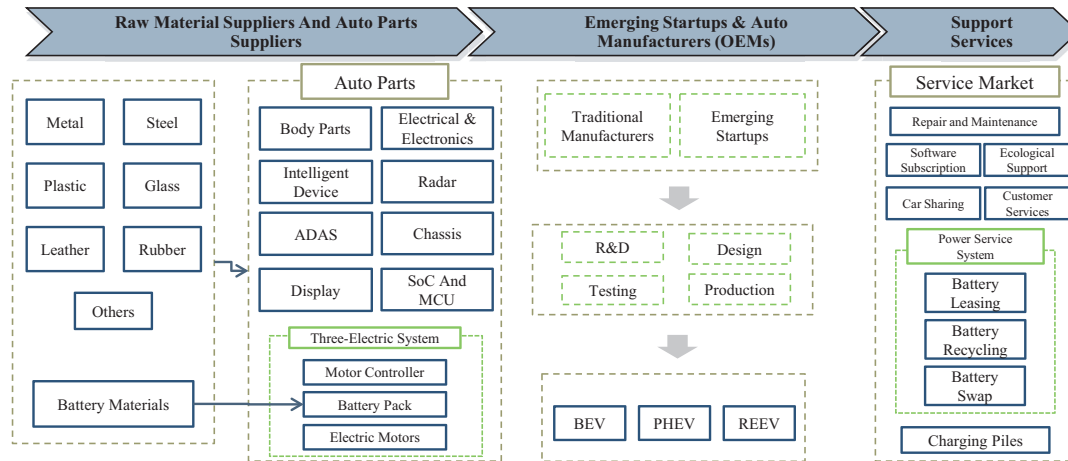
New Energy Passenger Vehicle Definition and Classification

New Energy Passenger Vehicles (NEPVs) refer to vehicles that utilize non-traditional fuels as their primary power source, featuring low pollution, low energy consumption, and high efficiency. They primarily include Battery Electric Vehicles (BEVs), Plug-in Hybrid Electric Vehicles (PHEVs), and Range-Extended Electric Vehicles (REEVs), among others. A BEV operates solely on battery power. A PHEV combines a conventional Internal Combustion Engine (ICE) with a smaller battery and electric motor, allowing for a limited all-electric driving range. A REEV is primarily driven by an electric motor, with an ICE acting as a generator to supply additional electricity. Compared with conventional ICE vehicles, the battery, electromotor and electric control are the three core parts of NEPVs. And NEPVs are typically designed using newer platforms, enabling faster integration of new technologies, thus making them more intelligent than ICE vehicles. ICE intelligent functions are mostly auxiliary functions added later on mature existing platforms, while NEPV adopts a native electronic and electrical architecture oriented towards intelligence from the bottom. This essential difference enables it to seamlessly integrate high performance computing platforms, centralized domain controllers, and continuous iteration of full scene OTA.

Industrial Value Chain of New Energy Passenger Vehicle

The value chain encompasses a diverse range of roles, including raw material suppliers, auto parts manufacturers, emerging startups, established traditional manufacturers and other service providers. Upstream suppliers can be divided into two categories: raw material suppliers and auto parts suppliers. Raw material suppliers can be broadly categorized into two groups: those providing conventional materials such as metals and plastics to parts manufacturers, and those supplying specialized battery materials directly to battery producers. In addition, other Auto parts suppliers include Tier 1, smart device suppliers, automotive chip manufacturers, display screen suppliers, etc. The midstream includes traditional manufacturers and emerging startups; The downstream includes end customers and related services, including maintenance, leasing, sales network, battery services, charging and other aftermarket services.

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Global Passenger Vehicle Market

In recent years, the global transition toward Electric Vehicles (EVs) has gained momentum, driven by the imperative to reduce carbon emissions and the growing awareness of sustainability among consumers. Meanwhile, the rising level of vehicle intelligence is enhancing user convenience and better meeting the evolving needs of consumers. Vehicle intelligence refers to the capabilities of EVs enabled by the integration of software and hardware, encompassing perception, decision-making, interaction, and continuous evolution. It primarily includes intelligent cockpits (e.g., multimodal interaction and AI-powered services), advanced assistant driving functions (e.g., urban NOA–Navigation on Autopilot), advanced electronic/electrical (E/E) architectures supporting full-vehicle OTA updates, and AI training systems based on data closed loops. In addition, significant advancements in battery technology have improved driving range and reduced charging time, further strengthened consumer confidence and accelerated the widespread adoption of electric vehicles.

In 2025, the global sales volume of passenger vehicle reached 76.9 million units, representing a CAGR of 4.8% from 2021 to 2025, is expected to reaching 90.1 million units by 2030 at a CAGR of 3.2% from 2025 to 2030. Among them, global sales volume of NEPVs increased from 6.2 million units in 2021 to 21.9 million units in 2025, representing a CAGR of 37.0%. Going forward, as ICE vehicle production declines, NEPVs are expected to sustain high growth. The global NEPV market is projected to reach 42.3 million units by 2030, with a CAGR of 14.1% from 2025 to 2030.

Global New Energy Passenger Vehicle Market

The penetration rate of NEPVs in the global passenger vehicle market increased from 9.7% in 2021 to 28.4% in 2025. Looking ahead, with the increasing competitiveness of NEPVs, global sales volume of NEPVs are projected to reach 42.3 million units by 2030, and the penetration rate is expected to rise to 47.0%. The penetration rates of NEPVs vary significantly across regions, reflecting differences in energy prices, infrastructure maturity, and policy support. In 2025, the penetration rate of NEPVs in the China’s passenger vehicle market reached 54.0%, well above the global average of 28.4%.

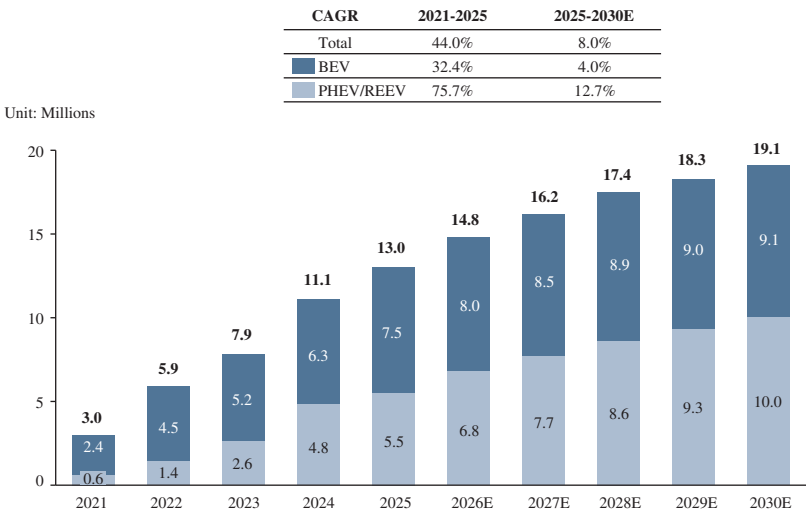
From the perspective of NEPV sales across different regions, China has led the world in NEPV sales for ten consecutive years. And the proportion of NEPVs manufactured in China in the global market exceeds 65%. In 2025, China’s NEPV sales volume reached 13.0 million units, accounting for 59.5% of the global NEPV market. By 2030, NEPV sales volume in China are expected to reach 19.1 million units, with a CAGR of 8.0% from 2025 to 2030, representing 45.1% of the global market.

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China New Energy Passenger Vehicle Market

China passenger vehicle market remains vast and dynamic, marked by steady growth in recent years. In 2025, annual sales reached 24.1 million units, reflecting a CAGR of 4.9% from 2021 to 2025. Looking ahead, the market is projected to reach 28.4 million units by 2030, with a slower CAGR of 3.4% from 2025 to 2030, indicating a maturing industry landscape. Among them, the sales volume of NEPVs have experienced rapid growth, with a CAGR of 44.0% from 2021 to 2025, in 2025, annual sales reached 13.0 million units. Looking ahead, the China NEPV market is projected to reach 19.1 million units by 2030, with an expected CAGR of 8.0% from 2025 to 2030, during this period with an expected CAGR of 11.7% from 2025 to 2027, indicating industry is still developing rapidly in the future. The primary reason for the declining growth rates of global and Chinese new energy passenger vehicle (NEPV) sales between 2025 and 2030 is the market’s transition from a phase of explosive growth to maturity. The following table sets forth the actual and forecasted sales volume of China NEPV by power type as measured by number of vehicles during the years indicated:

China NEPV Sales Volume, by Power Type



Source: China Association of Automobile Manufacturers (CAAM), Frost & Sullivan

Historically, BEVs have shown significant growth, with sales increasing from 2.4 million units in 2021 to 7.5 million units by 2025. This represents a CAGR of 32.4% from 2021 to 2025, which is expected to moderate to 4.0% from 2025 to 2030. Despite this deceleration, BEVs remain a crucial segment within the NEPV market.

Other NEPV including REEV and PHEV, they have demonstrated even more rapid development. Sales of these vehicles surged from 0.6 million units in 2021 to 5.5 million units by 2025. The CAGR for this segment was 75.7%, indicating explosive growth. Although this rate is anticipated to slow down to 12.7% from 2025 to 2030, it still signifies robust expansion.

China New Energy Passenger Vehicle Market in Different Price Range

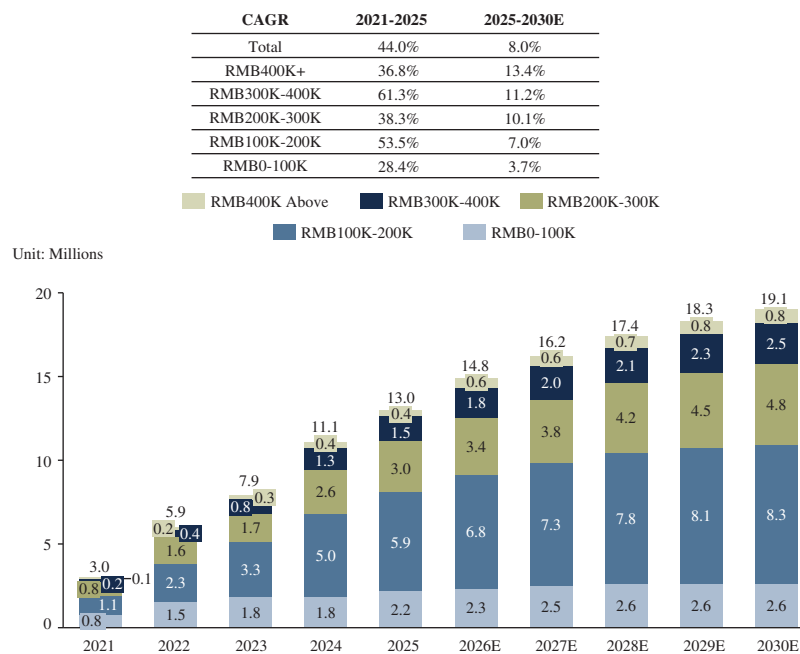
The China’s NEPV market can be segmented into five price ranges, with each interval spanning RMB100,000. The RMB100,000–RMB200,000 segment accounted for 35.3% of total sales volume in 2021 and reached 5.9 million units in 2025, representing 45.6% of total sales volume. From 2021 to 2025, this segment achieved a CAGR of 53.5%. Driven by overall improvements in vehicle configurations and rising passenger vehicle prices, the share of this price

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range is expected to slightly decline in the future. It is projected to grow at a CAGR of approximately 7.0% from 2025 to 2030, with sales volume expected to reach 8.3 million units by 2030, accounting for 43.6% of total market volume.

China’s NEPV market shows a clear spindle pattern. In 2025, NEPV priced RMB100,000–RMB200,000 took nearly half of total sales, while those below RMB100,000 settled at 16.6%. The market share of NEPVs priced under RMB100,000 will keep declining to 13.5% by 2030. Higher battery safety standards lift costs, and consumers pursue better quality and experience. Meanwhile, rising household income, improved charging facilities and growing preference for smart mobility boost high-end NEPVs with smart cockpits, advanced driver assistance and premium design, further cutting the share of low-price models. The following table sets forth the actual and forecasted sales volume of China NEPV by price range, as measured by number of vehicles during the years indicated:

China NEPV Sales Volume, by Price Range



Source: China Association of Automobile Manufacturers (CAAM), Frost & Sullivan

China NEPV priced from RMB200,000 to RMB300,000, from RMB300,000 to RMB400,000, and above RMB400,000 accounted for 22.9%, 11.5%, and 3.4% of total sales in 2025, respectively, summing up to 37.8%. As NEPVs intensify their efforts across the board and strengthen their competitiveness in areas such as indigenous innovation and intelligent technologies, sales volume of NEPV in the premium and luxury segments have been steadily increasing, capturing market share from fuel-powered vehicles at comparable price points. NEPV in these price ranges are expected to gain even greater market penetration in the future. By 2030, the shares of the three price segments are projected to reach 25.2%, 13.3%, and 4.4%, respectively totally 42.9%. From 2025 to 2030, these segments are expected to achieve CAGRs of 10.1%, 11.2% and 13.4%, respectively.

Analysis of China New Energy Passenger Vehicle Export

The passenger vehicle export market in China has experienced significant growth from 2021 to the projected 2030, with a notable rise in NEPVs exports. From 2021 to 2025, the China passenger vehicle export volume grew from 1.6 millions to 6.0 millions with a CAGR of 38.5%. While ICEs have maintained a larger share of exports, NEPVs have demonstrated a much CAGR

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with 69.2% during the period, and though this rate is expected to decline to 10.3% from 2025 to 2030, the continued expansion of NEPV exports highlights increasing global demand and competitiveness in the NEPV sector. NEPV export volume is expected to reach 5.8 million by 2030, with a CAGR 18.1% from 2025 to 2030, accounting for 59.2% of China passenger vehicle export market in 2030.

Chinese brands have established an absolute leading position in Thailand NEPV market, putting significant pressure on traditional European, American, and Japanese brands. According to Autolife Thailand, in 2024, in Thailand, the top 10 best-selling BEV accounted for a combined total of about 70 thousands units, representing a 96% market share. Among these, Chinese brands occupied seven spots and swept the top five positions, while non-Chinese brands took the remaining three spots. Chinese NEPVs demonstrate strong global competitiveness in terms of technology, product offerings, and pricing.

The Middle East has a rapidly growing market, where customers in countries such as the UAE, Qatar, Jordan, and Egypt place high value on advanced technology, low total cost of ownership, and local applicability. In Saudi Arabia, over 70% of consumers plan to purchase an NEPV for their next car, and there is already a strong consumer preference for China's NEPV. Consumers in the Middle East favor Chinese NEPVs due to their superior specifications, high level of intelligence, more aesthetically appealing design, strong cost-performance ratio, and low maintenance costs. Additionally, Middle Eastern countries aim not only to import electric vehicles but also to advance their domestic EV industrial chains through collaboration with China, thereby strengthening local manufacturing capabilities and accelerating national industrialization.

Drivers and Trends of Global and China NEPV Market

- ***AI Accelerates the Technological Evolution of the Assisted Driving System***

The development of advanced software algorithms, such as artificial intelligence, together with sensor technologies and semiconductor innovations, has provided a solid technical foundation for the transformation from traditional vehicles to intelligent vehicles. The integration of high-performance computing chips, Bird's Eye View (BEV)-based perception frameworks, and AI-powered path planning is accelerating the commercialization of L2+ and L3 assisted driving, especially in urban NOA applications. The penetration rate of global L1 and above Advanced Driver Assistance Systems (ADAS) and Autonomous Driving System (ADS) increased from 44.0% in 2021 to 75.6% in 2025, and is expected to rise to 93.0% by 2030. Among them, the global penetration rate of L2 and above ADAS and ADS is projected to increase from 41.3% in 2025 to 74.9% in 2030. The penetration rate of China L2 and above ADAS and ADS will increase from 62.2% in 2025 to 88.9% in 2030, Leading the world average level.

- ***AI Reshapes the User Interaction Experience of the Intelligent Cockpit***

AI is redefining human-vehicle interaction by enabling seamless multimodal experiences. Voice assistants are evolving from command-based control systems into intelligent systems with situational awareness and emotional responsiveness. AI is also driving facial recognition, fatigue detection, and adaptive features, transforming vehicles into personalized intelligent spaces. In 2025, the global penetration rate of intelligent cockpit was only 42%, while in China it had already reached 72.6%. It is projected that by 2030, the intelligent cockpit penetration rates in China and global will reach 94.8% and 73.0%, China's intelligent cockpit penetration rate leads the world.

- ***Consumer Demand Drives the Intelligentization of Automobiles***

Currently, China NEPV market has entered a new phase driven by consumer demand, with consumers' awareness and expectations of intelligent experiences significantly heightened. In selecting a NEPV, users are increasingly shifting their focus from traditional metrics such as fuel efficiency and power performance to digital capabilities, including the level of assisted driving, and intelligent cockpit experience.

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- ***The market acceptance of REEV continues to increase and the number of models is rapidly expanding***

As range anxiety and inadequate charging infrastructure remain key barriers to NEPV adoption, REEV have emerged as a pragmatic solution tailored to real-world conditions. Powered primarily by electric motors with an onboard fuel-based generator, REEVs offer a pure electric driving experience while reducing dependence on charging networks. This dual energy architecture significantly reduces user anxiety and enhances long-distance usability.

- ***Platformization and integration innovation lead the development of NEPV in a new direction***

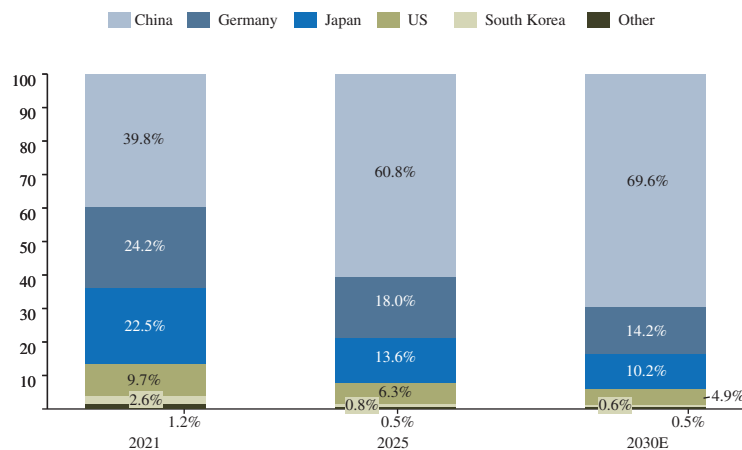
Amid intensifying competition and increasing hardware homogenization in the new energy passenger vehicle market, platform-based development, along with integrated innovation in both technology and design, has become a key growth path for automakers. Automotive enterprises are now focusing on modular platforms to reduce development costs while integrating core strengths in electrification and intelligent technologies to differentiate themselves.

Building on platformization and integrated innovation, leading automotive enterprise are strengthening their competitive edge through strategic investments and deep supply chain collaboration. Simultaneously, they align R&D, manufacturing, and after-sales services around user-centric insights, enhancing operational agility. Leveraging scalable platforms, they decouple hardware and software to enable rapid iteration — delivering superior, continuously evolving experiences and building durable differentiation.

- ***The comprehensive rise of Chinese domestic brands***

In recent years, Chinese domestic brands have experienced a comprehensive rise, with steadily increasing market share. Particularly in the premium and luxury segments segment, new premium homegrown brands are accelerating their replacement of traditional foreign luxury brands. Market share of domestic brands in China market has increased from 39.8% in 2021 to 60.8% in 2025. With continuous technological innovation and product upgrades, domestic brands are expected to maintain a leading position and achieve a market share of 69.6% by 2030. The following table sets forth the actual and forecasted penetrate rate of brands from different countries in China passenger vehicle market, during the years indicated:

Penetration Rate of Brands from Different Countries in China Passenger Vehicle Market



Source: CAAM, Frost & Sullivan

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- *The Chinese NEPV market is moving towards high-end development, and the strategy of a “big product” is emerging*

Currently, the China automotive market is undergoing a noticeable shift in product structure, with trends pointing toward SUV dominance, larger vehicle sizes, and higher price segments. More automakers are adopting a “big product” strategy — relying on a few high-demand models to drive overall market share. This transformation is driven by consumers’ growing demand for more space, better ride quality and stronger off-road capability, as well as lifestyle changes associated with urbanization, which have jointly boosted the popularity of SUVs and larger vehicles. At the same time, technological advancements have enabled cost optimization, allowing automakers to offer higher-spec vehicles without significantly increasing prices — further pushing the market toward premiumization. In this environment, flagship models backed by strong brand recognition and advanced technology have become key competitive tools.

- *The acceleration of globalization and the expansion of overseas markets*

As Chinese automakers strengthen their presence in global markets, overseas expansion has become a new driver of industry growth. In recent years, Chinese carmakers have accelerated their international outreach by diversifying their strategies. Chinese automotive brands are accelerating international expansion by leveraging generational advantages in intelligent driving, smart cockpits, and holistic digital experiences. Through advanced electronic architectures and in-house developed intelligent systems, Chinese automakers are redefining user experiences abroad, establishing premium tech branding and shifting the global competitive landscape toward intelligent differentiation.

China’s New Luxury NEPV Market

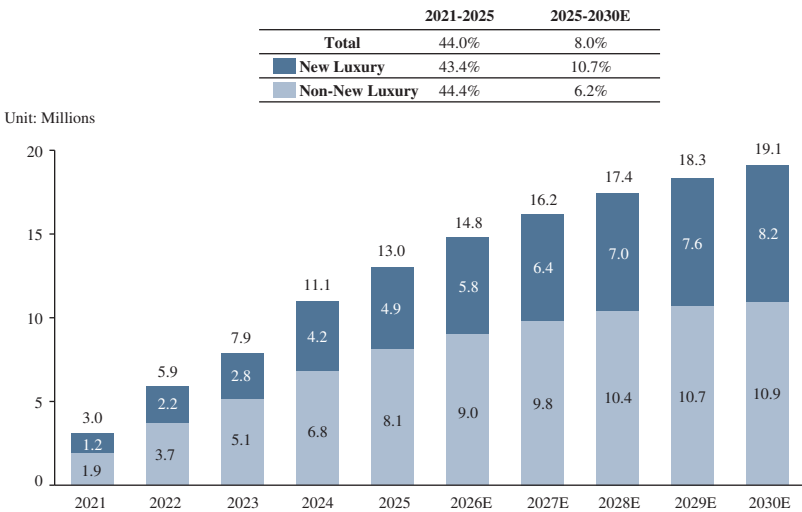
Premium and Luxury are classification tiers originating from the traditional internal combustion engine (ICE) vehicle era. “Premium” typically refers to passenger vehicles priced above RMB300,000, while “Luxury” generally denotes vehicles priced above RMB400,000. In contrast, “New Luxury” is an emerging segmentation concept that has recently gained traction in the new energy passenger vehicle (NEPV) market. It refers to new energy passenger vehicles priced above RMB200,000, emphasizing the integration of intelligent technology, user experience, and design aesthetics. Representing a new consumption trend led by domestic EV startups and centered on “affordable premium quality,” the term “New Luxury” has been widely adopted by industry research institutions and market participants to describe this fast growing segment.

New Luxury New Energy Passenger Vehicles (New Luxury NEPV) refer to premium and luxury NEPV categories priced above RMB200,000, with intelligent technology as the core competitiveness, comprehensive electrification as the technological foundation, and deep integration of user life scenarios and digital ecology. No longer relying solely on traditional luxury brands’ emphasis on “craftsmanship” and “brand premium”, but redefining the value standards of contemporary high-end travel through cutting-edge intelligent driving technology, digital in-vehicle interaction systems, sustainable energy solutions, and personalized service ecology. Its target users are high educated and high-income groups who pursue technological leadership, quality of life, and sustainable concepts, representing the core trend of the automotive industry’s shift from traditional mechanical features to intelligent, technology-enabled offerings.

According to Frost & Sullivan, in 2025, the new luxury segments have grown rapidly, expanding from 1.2 million units in 2021 to 4.9 million units in 2025, representing a CAGR of 43.4%. The sales volume of new luxury NEPVs accounting for 37.8% of the total NEPV market in China. Driven by increasing resident income and consumption upgrades, this market is expected to maintain a steady growth, reaching 8.2 million units by 2030. From 2025 to 2030, the market is projected to grow at a CAGR of 10.7%, compared to the overall China NEPV market, the China new luxury NEPV will have a higher growth rate in the future. In comparison, the NEPV market for vehicles priced below RMB200,000 is projected to grow at a more moderate CAGR of 6.2% from 2025 to 2030. The following table sets forth the actual and forecasted sales volume of China NEPV by price categories, as measured by number of unit during the years indicated:

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China NEPV Sales Volume, by Price Categories



Source: China Association of Automobile Manufacturers (CAAM), Frost & Sullivan

Competitive landscape of China’s New Luxury NEPV Market

China’s new luxury NEPV market shows a rapid growth trend. Multiple brands have shown strong growth in terms of sales volume growth, demonstrating strong market potential and brand appeal. In 2025, various brands in the Chinese new luxury NEPV market were in a phase of rapid development. In terms of year-on-year growth rate, AVATR ranked third in the China’s new luxury NEPV market. The following table sets forth the details of the top five sales YoY growth rates of China new luxury NEPV brands in 2025:

Ranking	Brands	Domestic Brand	Multiple Power Types	YoY Growth (Cumulative from 2024 to 2025)
1	A	✓	×	418.27%
2	B	✓	×	195.25%
3	AVATR (阿維塔)	✓	✓	99.23%
4	C	✓	×	88.77%
5	D	✓	✓	75.39%

Source: Frost & Sullivan

Notes:

- Brand A was Founded in 2024, headquartered in Shanghai.
- Brand B was Founded in 2010, headquartered in Beijing; listed on HKEX in 2018.
- Brand C was Founded in 2016, headquartered in Baoding.
- Brand D was Founded in 2019, headquartered in Wuhan.

In 2025, in terms of sales volume, AVATR ranked eighth in the China’s new luxury NEPV Market. Among the top ten brands, most are domestic brands, and only half of the brands have models with multiple power types. Domestic brands are reshaping the competitive landscape of China’s new luxury NEPV market by enhancing product capabilities and elevating brand positioning. The following table sets forth the details of the top ten sales volume of China new luxury NEPV brands in 2025:

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The Ranking of Sales Volume of New Luxury NEPV Brands in China, 2025

Ranking	Brands	Domestic Brand	Multiple Power Types	Sales Volume
1	E	×	×	~627K
2	N	✓	✓	~417K
3	B	✓	×	~412K
4	P	✓	✓	~406K
5	O	✓	✓	~190K
6	F	✓	×	~187K
7	D	✓	✓	~150K
8	AVATR (阿維塔)	✓	✓	122.7K
9	A	✓	×	~108K
10	C	✓	×	~98K

Source: Frost & Sullivan

Notes:

- (1) Brand E was founded in 2003, headquartered in United States of America, listed on NASDAQ in 2010.
- (2) Brand N was founded in 2016, headquartered in Chongqing.
- (3) Brand P was founded in 2015, headquartered in Beijing, listed on HKEX in 2021.
- (4) Brand O was founded in 2021, headquartered in Hangzhou.
- (5) Brand F was founded in 2014, headquartered in Shanghai; listed on NYSE in 2018.

New Luxury NEPV Mid-Size Sedan

The price range of China’s new luxury NEPV mid size sedan market is above RMB200,000, which is highly competitive. In 2025, AVATR 06 ranked fourth in terms of sales volume among new luxury NEPV mid-size sedan priced above RMB200,000 in China, where there are over 10 models in this sub-market. Among the top five models, only AVATR 06 have BEV and REEV power type. The following table sets forth the details of the top five new luxury NEPV mid-size Sedan model priced above RMB200,000 in China by sales volume in 2025:

Ranking	Model Name	Domestic Brand	Market Share (%)
1	A	×	51.7%
2	B	✓	12.1%
3	C	✓	11.4%
4	AVATR 06	✓	9.4%
5	D	×	4.2%

Source: Frost & Sullivan

Notes:

- (1) Model A is a model of Brand E.
- (2) Model B is a model of Brand O.
- (3) Model C and Model D is a model of Brand F.

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New Luxury NEPV Mid-Size SUV

In 2025, AVATR 07 ranked fourth, in terms of sales volume among new luxury NEPV mid-size SUV priced above RMB200,000 in China, where there are over 35 models in this sub-market. Among the top five models, only AVATR 07 has two power types, BEV and REEV. The following table sets forth the details of the top five new luxury NEPV mid-size SUV model priced above RMB200,000 in China by sales volume in 2025:

Ranking	Model Name	Domestic Brand	Market Share (%)
1	E	×	44.4%
2	G	✓	6.7%
3	F	✓	6.7%
4	AVATR 07	✓	6.0%
5	H	✓	5.7%

Source: Frost & Sullivan

Notes:

- (1) Model E is a model of Brand E.
- (2) Model F is a model of Brand A.
- (3) Model G is a model of Brand O.
- (4) Model H is a model of Brand H. Brand H was founded in 2023, headquartered in Shenzhen.

New Luxury NEPV Mid-to-Large Sedan

In 2025, in terms of sales volume, among new luxury NEPV Mid-to-Large Sedan priced above RMB300,000 in China, AVATR 12 ranked second, where there are over 15 models in this sub-market. The following table sets forth the details of the top five new luxury NEPV Mid-to-Large Sedan model priced above RMB300,000 in China by sales volume in 2025:

Ranking	Model Name	Domestic Brand	Market Share (%)
1	I	✓	29.0%
2	AVATR12	✓	15.4%
3	J	✓	13.3%
4	K	✓	13.0%
5	L	✓	9.1%

Source: Frost & Sullivan

Notes:

- (1) Model I is a model of Brand O.
- (2) Model J and Model K is a model of Brand I, Brand I was founded in 2024, headquartered in Beijing.
- (3) Model L is a model of Brand K, Brand K was founded in 2023, headquartered in Wuhu.

New Luxury NEPV Mid-to-Large SUV

In the 2025, there are over 30 models in China New Luxury NEPV Mid-to-Large SUV market. In terms of sales volume, among new luxury NEPV Mid-to-Large SUV priced above RMB300,000 in China, where there are over 25 models in this sub-market, the top five models account for a total market share of 70.9%, with AVATR11 ranking 13th with a market share of 1.2%.

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Trends of China’s New Luxury NEPV Market

Consumption Upgrade and Value Redefinition

A defining trend in China’s new luxury NEPV Market is the shift in consumer demand from cost sensitivity to value driven decision making. The major consumers consists largely of mainstream middle-class families an high-income individuals, their purchasing behavior reflects a clear pattern of consumption upgrading, actively choosing higher priced NEPV for superior technology, enhanced user experience, and long-term ownership value.

China new luxury NEPV brands are moving beyond imitation and establishing distinctive visual identities through original design. With global design leaders and dedicated studios, automakers are building recognizable aesthetics that reflect their brand DNA. Design has evolved from a support function to a strategic tool for differentiation and global competitiveness.

- *Core Protection and Active Shield*

In the new era of luxury, safety itself becomes a hallmark of premium intelligence. Safety extends beyond the vehicle to encompass the health of its occupants. The new luxury NEPV ensures a safe and healthy space for passengers by using sustainable, non-toxic materials and clean cockpit systems. This kind of human centered protection is a fundamental expression of new luxury.

Beyond traditional passive safety, the new luxury NEPV redefines automotive safety with a full-domain, intelligent system. This advanced architecture integrates proactive hazard detection, intelligent driving-control safety, high-level autonomous interventions, comprehensive electrical safety, and sustainable materials — leveraging real-time data and AI to anticipate risks. Safety is no longer just protective, but predictive, proactive, and seamlessly intelligent.

- *User-Centric Operations & Community Building*

Many new luxury brands have active user communities that serve as platforms for communication and contribute to the development of brand identity. Users share their driving experiences, organize activities, and exchange lifestyles within these communities, and this interaction itself reinforces the brand identity.

Entry Barriers of China’s New Luxury NEPV Market

- *First mover advantage builds brand barriers*

The current market has developed a brand landscape dominated by leading enterprises, with high consumer awareness and loyalty. New entrants face challenges in building brand influence, especially in the new luxury NEPV market, where leading players have established a brand positioning through long-term technological accumulation, high-end image shaping, and full lifecycle user services

- *The rapid iteration of core technology brings challenges*

The competition among new luxury NEPVs is rapidly evolving toward an AI-centric paradigm of intelligence. The new luxury NEPV highly rely on continuous breakthroughs in core technologies such as intelligent cockpit, assisted driving system, battery safety management system, and vehicle electronic and electrical architecture. These technologies have short update cycles and high system integration complexity, and increasingly relying on the driving and optimization of artificial intelligence algorithms. Consumers’ expectations for new technologies are constantly increasing. New entrants must possess strong software and hardware integration capabilities, as well as fast iterative engineering landing capabilities, in order to establish technological trust and differentiation advantages in high-end competition.

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Development efficiency impacts cost and profit

Profitability in the NEPV industry heavily depends on mass production capabilities and supply chain efficiency. Only when a certain scale of production is achieved can companies effectively reduce per-unit costs and realize profits. This presents a clear scale barrier for new entrants lacking mature supply chains or manufacturing experience.

Despite being positioned in the high-end market, new luxury NEPVs still face significant cost control challenges. Ensuring product competitiveness and sustainable enterprise development requires not only economies of scale, but also high operational efficiency. An efficient smart manufacturing system, stable supply chain management, and marginal cost optimization achieved through both scale and operational excellence are critical to building core competitiveness.

Shortage of high-end talents constrains development

There is intense demand for high-level technical and managerial talent in the NEPV sector, yet the supply remains limited. New entrants struggle to attract and cultivate sufficient talent in the short term, placing them at a disadvantage in terms of technological accumulation and operational efficiency. In addition, there is a serious shortage of talent in the current industry with experience in luxury car research and development, intelligent technology background, and high-end service system construction capabilities.

High capital investment constitutes the industry threshold

Developing new luxury NEPVs requires massive investment in intelligent technologies, safety systems, advanced manufacturing, and brand building. Due to the high demands of target users for product quality, service experience, and brand image, enterprises have invested far more in research and development, smart manufacturing, channel layout, and user operation than the mainstream market, forming significant financial barriers.

Strict regulation shapes the entry threshold

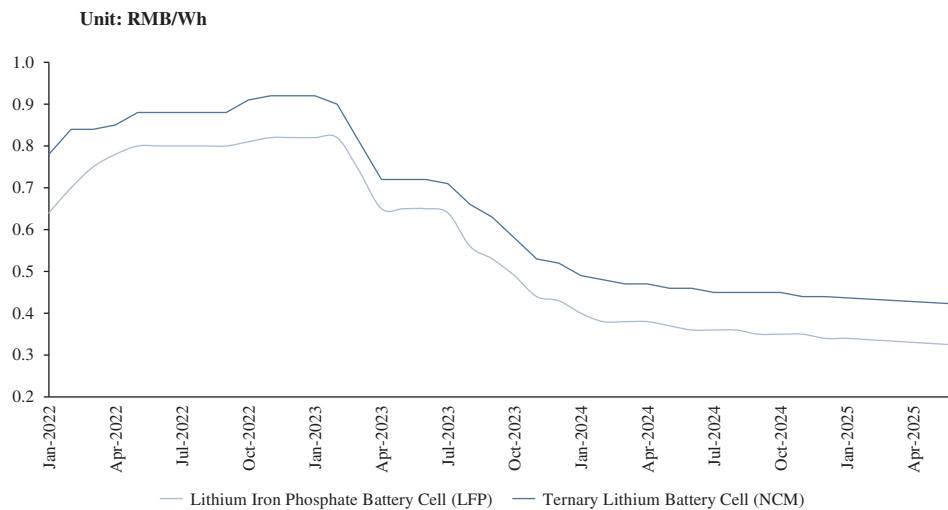
The NEPV industry is subject to stringent regulation through national industrial policies, environmental laws, and market access systems. With strong policy guidance, dynamic adjustments in subsidy mechanisms, and complex product certification processes, new entrants face high compliance barriers, requiring strong policy adaptability and strategic foresight. In 2020, the Ministry of Industry and Information Technology issued the “Regulations on the Management of Access for New Energy Vehicle Production Enterprises and Products” (《新能源汽车生产企业和产品准入管理规定》), significantly raising the industry access threshold.

Historical Price Trends of Major NEPV Raw Materials and Components

The core component of NEPVs are the battery, motor, and electronic control system, that defines vehicle performance and cost structure. Among these, the power batteries is the most significant cost driver. Since 2022, the price of power batteries in China has been on a downward trend. This price decline is mainly driven by factors such as falling raw material prices, technological advancements, and intensified market competition in the power batteries industry. It is expected that these factors will continue to drive the reduction in power battery prices, providing a positive boost to the development of the NEPV market. The following table sets forth the actual trend in China power battery cell price during the years indicated:

INDUSTRY OVERVIEW

China Power Battery Cell Price



Source: Frost & Sullivan

SOURCE OF INFORMATION

Our Company has commissioned Frost & Sullivan, an independent market research company, to analyze the passenger vehicle market and compile a report. The information disclosed in this document regarding Frost & Sullivan is extracted from the Frost & Sullivan Report. We have agreed to pay Frost & Sullivan a fee of RMB200,000 for the preparation of the Frost & Sullivan Report. The payment of this fee is not contingent upon our successful [REDACTED] or the outcome of the report.

The Frost & Sullivan Report is based on both primary and secondary research obtained from various sources. Primary research includes interviews with key industry participants in the new energy passenger vehicle market and other experts relevant to our business. Secondary research includes a review of company reports, independent research reports, and data from Frost & Sullivan’s proprietary research database as well as government databases. In compiling and preparing this report, Frost & Sullivan has made the following assumptions: (i) during the forecast period, the social, economic, and political environments of the PRC, and other major global markets will remain stable, ensuring the continued and steady development of the passenger vehicle industry; and (ii) government policies on the passenger vehicle market will not undergo significant changes.

Frost & Sullivan believes that the fundamental assumptions used in preparing this report, including those for future projections, are factual, accurate, and not misleading. Frost & Sullivan has conducted an independent analysis of the data; however, the accuracy of its review conclusions largely depends on the accuracy of information collected.