You should read the following discussion and analysis in conjunction with our consolidated financial statements, as set out in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We design, develop and sell NEPVs, including BEVs and REEVs, covering product definition and design, intelligent vehicle engineering, system integration, vehicle sales and after-sales support. Our vehicles are developed through a combination of in-house capabilities and strategic cooperation with Changan Automobile, our Controlling Shareholder and the sole manufacturer of our vehicles during the Track Record Period, together with CATL in battery-related technologies and supply, and Huawei in intelligent vehicle solutions. We focus on product definition and design, intelligent vehicle engineering, system integration, sales and customer engagement, while working with external suppliers and partners for key components, systems and manufacturing-related services. We deliver our vehicles and related services through a combination of direct sales and distributorship, including our AVATR app, official website, self-operated stores and distributor-operated stores, and provide ongoing software upgrades, maintenance and customer services throughout the ownership lifecycle. Through coordination across design, research and development, supply chain and sales, we aim to maintain consistent product quality and user experience across our model range and to build a distinct brand in the NEPV market.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS, issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our material significant accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountants' Report included in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors.

Our Ability to Generate Customer Demand

Our results of operations are significantly affected by our ability to generate and sustain customer demand for our premium intelligent NEPVs. We began delivering vehicles in December 2022. Our deliveries increased from 20,021 units in 2023 to 61,588 units in 2024 and further to

122,702 units in 2025. Our revenue increased from RMB5,645.4 million in 2023 to RMB15,195.2 million in 2024, and further increased to RMB25,631.3 million in 2025. During the Track Record Period, the majority of our revenue was generated from vehicle sales, which increased from RMB5,542.0 million in 2023 to RMB14,417.3 million in 2024, and further increased to RMB23,902.0 million in 2025. Revenue from other businesses, including assisted driving solutions, services and sales of parts and components, increased from RMB103.4 million in 2023 to RMB777.9 million in 2024 and further to RMB1,729.3 million in 2025, accounting for 1.8%, 5.1% and 6.7% of our total revenue in 2023, 2024 and 2025, respectively. During the Track Record Period, rebates provided to distributors amounted to RMB2.8 million, RMB47.7 million and RMB1,724.9 million in 2023, 2024 and 2025, respectively.

Customer demand for our vehicles is affected by, among other things, our brand positioning, product portfolio, vehicle design, intelligent features, safety and user experience, as well as our ability to respond to changing consumer preferences and competitive dynamics in China's NEPV market. We promote our brand and products through marketing campaigns, sales and service channels and customer engagement initiatives, and seek to maintain our positioning in the premium and luxury segments of China's NEPV market. Our ability to respond to customer demand and adapt to market trends will affect our sales volume, pricing power and overall financial performance. Any failure to effectively generate customer demand or adapt to market trends could adversely affect our results of operations.

Our Ability to Expand and Upgrade Our NEPV Portfolio

The breadth, depth and competitiveness of our NEPV portfolio are critical to our ability to capture market opportunities and sustain growth. As of the Latest Practicable Date, we had introduced four mass-produced vehicle series, together with the Royal Theater series and the limited-edition "0" series for each of AVATR 11 and AVATR 12, covering the premium and luxury segments of China's NEPV market. Our portfolio has received design and product recognition, including the Red Dot Design Award in 2024 for AVATR 11 and AVATR 12 and the Gold Award for Industrial Design at the 25th China Patent Awards in 2025 for AVATR 11. We continued to expand and upgrade our portfolio during the Track Record Period. In April 2025, we launched AVATR 06, and in April 2026, we launched the AVATR 06T, an all-scenario sports sedan. We also upgraded AVATR 07 with enhanced assisted driving, intelligent cockpit, range-extended, comfort, audio and charging capabilities. In 2025, sales of AVATR 06 and AVATR 07 reached 36,528 units and 57,338 units, respectively, contributing to our total sales volume of 122,702 units for the year.

By the end of 2027, we aim to launch a range of new models tailored to different customer needs. We plan to develop flagship products with the potential of increasing both scale and profitability. Under our co-creation model with Yinwang, we expect to adopt next-generation intelligent technologies in our upcoming major models, including intelligent cockpit system, assisted driving system, advanced vehicle control system, cutting-edge in-vehicle optics and vehicle-cloud solutions. We also expect to continue integrating advanced autonomous driving hardware and plan to introduce L3/L4 autonomous driving solutions in future flagship models. Timely execution of our product roadmap and technology adoption strategy is essential to sustaining growth. Delays in product development, failure to meet consumer expectations, or inability to achieve planned launches could negatively impact our market share, revenue growth and overall financial performance.

Our Ability to Plan and Control Costs and Implement Effective Cost Control Measures

Our results of operations are significantly affected by our ability to manage costs effectively while sustaining growth. Our largest cost component is raw materials costs, which amounted to RMB5,059.5 million, RMB12,761.4 million and RMB20,804.2 million, accounting for 87.0%, 89.7% and 89.6% of our total cost of sales in 2023, 2024 and 2025, respectively. Raw material costs primarily relate to the procurement of power batteries, automotive parts and components used in NEPV manufacturing. The prices of these materials are subject to significant volatility due to supply-demand dynamics, geopolitical factors and fluctuations in commodity markets. In addition, manufacturing efficiency and economies of scale play a critical role in determining our overall cost structure. To mitigate these risks, we continuously implement cost control measures, including optimizing procurement strategies, negotiating favorable terms with suppliers, improving production efficiency and leveraging technology-driven process improvements. We also seek to enhance supply chain resilience through strategic sourcing and long-term partnerships with key suppliers. Our ability to effectively manage procurement costs, optimize manufacturing processes, or achieve planned cost reductions will affect our profitability and overall financial performance.

Our Ability to Advance Technology and Capture Technology Premium

Our ability to maintain technological strength is critical to differentiating our products, enhancing customer experience and sustaining pricing power in the premium NEPV segment. We continue to invest in next-generation platform development, including our proprietary AEEA intelligent platform architecture, to improve system integration, communication efficiency and vehicle intelligence. We also focus on core technology innovation in areas such as assisted driving, intelligent cockpit systems, the Taihang Smart Control Chassis and safety and wellness technologies. These technologies support product differentiation, user experience and our positioning in the premium NEPV segment. Our ability to advance these technologies and capture the resulting premium will significantly affect our competitiveness, revenue growth and profitability. Our commitment to these visions and strategies is demonstrated by our ongoing investment in technology and innovation. Our ability to control our research and development expenses at a reasonable level in light of the innovation and technological advancements achieved is crucial to our business operations and financial performance.

Our Ability to Execute Effective Sales and Marketing Strategies

Our ability to effectively execute sales and marketing strategies directly impacts our revenue growth and operating efficiency. We market our intelligent NEPV through a combination of self-operated stores, which primarily function as brand experience centers, and an extensive network of distributor-operated stores, reflecting our strategic shift toward a more scalable and cost-efficient distribution model. Our ability to execute effective sales and marketing strategies is reflected in the significant growth of our distributor network. We did not have any NEPV distributors in 2023; as of December 31, 2024 and 2025, and we had 259 and 384 NEPV distributors, respectively. Supported by our digitalized management platform, we oversee both self-operated and partner stores under a unified framework to ensure consistent service quality and enhanced customer satisfaction. We acquire customers through online and offline channels, leveraging proprietary platforms such as our official website, mobile app and WeChat mini-programs, as well as third-party media to maximize reach and engagement. Further, as of December 31, 2025, we had over 80 overseas sales locations in 38 countries and plan to formally enter the European market in 2026. Our AVATR app also supports customer engagement across vehicle ownership, lifestyle services and brand interaction. Our ability to optimize these strategies has contributed to improved operating efficiency, as reflected by the decline in selling and marketing expenses as a percentage of revenue from 40.8% in 2023 to 20.0% in 2024, and further to 12.8% in 2025. Continued improvement in marketing efficiency and customer acquisition effectiveness will significantly affect our ability to expand market share and enhance profitability.

MATERIAL SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our material significant accounting policies require us to apply estimates and assumptions as well as to form complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our material significant accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. During the Track Record Period, there was no material deviation between our management's estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future. Material significant accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements include revenue recognition including our loyalty program, fair value measure, impairment of non-financial assets, and research and development cost, details of which are set forth in detail in Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	5,645,357	15,195,220	25,631,285
Cost of sales	(5,814,813)	(14,233,927)	(23,214,675)
Gross (loss)/profit	**(169,456)**	**961,293**	**2,416,610**
Other income and gains	122,450	120,693	192,392
Selling and marketing expenses	(2,304,287)	(3,036,301)	(3,281,131)
Administrative expenses	(579,628)	(705,935)	(765,777)
Research and development expenses	(660,121)	(1,214,069)	(2,085,654)
Impairment losses on financial assets, net	–	(1,248)	(4,342)
Other expenses	(16,315)	(37,524)	(32,081)
Finance costs	(85,148)	(104,894)	(109,603)
Share of profits of an associate	–	–	182,485
Loss before tax	(3,692,505)	(4,017,985)	(3,487,101)
Income tax expense	–	–	(1,790)
Loss for the year	**(3,692,505)**	**(4,017,985)**	**(3,488,891)**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily derived revenue from sales of our intelligent EVs. In August 2022, we introduced our first mass-produced flagship model, AVATR 11 and started vehicle delivery in December 2022. We also generated revenue from sales of automotive parts and components, such as spare parts, accessories and value-added products to customers, and other auxiliary services, such as warranty services. The following table sets forth our revenue breakdown by business segment for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
NEPV Sales	5,542,018	98.2	14,417,324	94.9	23,902,035	93.3
Sales of automotive parts and components and others[(1)]	103,339	1.8	777,896	5.1	1,729,250	6.7
Total	**5,645,357**	**100.0**	**15,195,220**	**100.0**	**25,631,285**	**100.0**

Note:

1. Others primarily included services which comprised after-sales repair and maintenance services, premium accessories and light modification services, charging services, referral services for financial and insurance products, platform technology services, and personnel support services.

The following table sets forth a breakdown of our revenue by geographical location for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	5,645,357	100.0	14,972,708	98.5	24,233,522	94.5
Other countries/regions	–	–	222,512	1.5	1,397,763	5.5
Total	**5,645,357**	**100.0**	**15,195,220**	**100.0**	**25,631,285**	**100.0**

Cost of Sales

During the Track Record Period, our cost of sales mainly comprised (i) raw material costs; (ii) manufacturing expenses to Changan Automobile; (iii) warranty expenses and others; and (iv) depreciation and amortization representing the depreciation of production-related property, plant and equipment and the amortization of production-related intangible assets. The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	5,059,466	87.0	12,761,353	89.7	20,804,202	89.6
Manufacturing expenses	188,134	3.2	312,540	2.2	568,773	2.5
Warranty expenses and others	533,244	9.2	1,082,843	7.6	1,664,653	7.1
Depreciation and amortization	33,969	0.6	77,191	0.5	177,047	0.8
Total	**5,814,813**	**100.0**	**14,233,927**	**100.0**	**23,214,675**	**100.0**

Gross Profit/Loss and Gross Margin

We recorded gross loss of RMB169.5 million in 2023. We recorded gross profit of RMB961.3 million in 2024 and gross profit of RMB2,416.6 million in 2025, respectively. Our gross loss margin was 3.0% in 2023, while our gross profit margin was 6.3% in 2024 and our gross profit margin was 9.4% in 2025, respectively.

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily comprised (i) employee compensation expenses; (ii) depreciation and amortization; (iii) design and development expenses; and (iv) others. The following table sets forth a breakdown of our research and development expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation expenses	236,683	35.9	319,575	26.3	724,746	34.7
Depreciation and amortization	134,898	20.4	364,257	30.0	744,659	35.7
Design and development expenses	246,584	37.4	474,797	39.1	529,517	25.4
Others[1]	41,956	6.3	55,440	4.6	86,732	4.2
Total	**660,121**	**100.0**	**1,214,069**	**100.0**	**2,085,654**	**100.0**

Note:

(1) Others primarily included office and operational support expenses for research activities.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses primarily comprised (i) brand and marketing expenses; (ii) channel expenses in relation to the establishment, development, support and management of our distributor network; (iii) employee compensation expenses; (iv) depreciation and amortization; and (v) others. The following table sets forth a breakdown of our selling and marketing expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Brand and marketing expenses	1,024,365	44.5	1,293,155	42.6	1,499,297	45.7
Channel expenses	351,754	15.3	885,932	29.2	1,097,529	33.4
Employee compensation expenses	674,804	29.3	590,125	19.4	410,401	12.5
Depreciation and amortization	91,056	4.0	73,192	2.4	22,666	0.7
Others[1]	162,308	6.9	193,897	6.4	251,238	7.7
Total	**2,304,287**	**100.0**	**3,036,301**	**100.0**	**3,281,131**	**100.0**

Note:

(1) Others primarily included lease expenses, office and operational expenses related to sales activities, including warehousing, logistics and packaging, product samples, utilities and travel expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily comprised (i) employee compensation expenses; (ii) professional service fees and office expenses; (iii) depreciation and amortization; (iv) other taxes; and (v) others. The following table sets forth a breakdown of our administrative expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation expenses	359,711	62.1	394,742	55.9	489,172	63.9
Professional service fees and office expenses	143,995	24.8	192,150	27.2	131,144	17.1
Depreciation and amortization	30,786	5.3	33,802	4.8	38,314	5.0
Other taxes	13,890	2.4	55,051	7.8	72,330	9.5
Others[1]	31,246	5.4	30,190	4.3	34,817	4.5
Total	**579,628**	**100.0**	**705,935**	**100.0**	**765,777**	**100.0**

Note:

(1) Others primarily included consumables used in daily operations, lease expenses, and other service-related expenses.

Other Income and Gains

Our other income and gains primarily consisted of (i) bank interest; and (ii) government grants including various forms of government financial incentives and awards to facilitate technological innovation. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants			
– related to expense items	13,197	21,725	38,743
Interest income from related parties	14,854	6,715	17,334
Bank interest income	94,367	91,450	132,103
Total other income	122,418	119,890	188,180
Gains			
Gain on disposal of items of property, plant and equipment	–	682	–
Gains on fair value financial assets at fair value through profit or loss	–	–	1,708
Gain on disposal of financial assets measured at fair value through profit or loss	–	–	13
Others	32	121	2,491
Total gains	32	803	4,212
Total other income and gains	**122,450**	**120,693**	**192,392**

Finance Costs

Finance costs primarily comprised (i) interest expenses on bank and other borrowings; (ii) interest on other borrowings from related parties; (iii) interest on lease liabilities; and (iv) other finance costs. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	59,644	85,748	82,411
Interest on other borrowings from related parties	16,457	12,588	14,284
Interest on lease liabilities	7,179	5,193	4,054
Other finance costs	1,868	1,365	8,854
Total	**85,148**	**104,894**	**109,603**

Income Tax Expense

No income tax expense was recorded in 2023 and 2024 as the potential tax benefits arising from tax losses and deductible temporary differences were not recognized. Our Company obtained its High and New Technology Enterprises ("**HNTE**") status in 2023 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2023. Our subsidiaries are subject to PRC corporate income tax at the statutory rate of 25%. Our German subsidiary is subject to German corporate income tax at a rate of 15%, a solidarity surcharge of 5.5% on such corporate income tax, and municipal trade tax, which results in an effective tax rate of approximately 32.98% in Munich. As of the Latest Practicable Date, we did not have any dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation or penalties.

Loss for the Year

In 2023, 2024 and 2025, we recorded losses for the year of RMB3,692.5 million, RMB4,018.0 million and RMB3,488.9 million, respectively, primarily due to (i) the intensifying competition within the industries which has driven us to incur more spending on promotions and sales incentives; and (ii) we are in a growth-oriented phase, incurring significant investments in research and development, brand building and channel expansion.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our total revenue increased by 68.7% from RMB15,195.2 million in 2024 to RMB25,631.3 million in 2025. The increase was primarily due to an increase in NEPV sales. Revenue from NEPV sales increased by 65.8% from RMB14,417.3 million in 2024 to RMB23,902.0 million in 2025. The increase was primarily attributable to an increase in sales volume of our intelligent NEPVs from 61,588 units in 2024 to 122,702 units in 2025, as well as the commencement of deliveries of our new model, AVATR 06 in 2025. We delivered 36,528 units of AVATR 06 in 2025, representing 29.8% of our total sales volume.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 63.1% from RMB14,233.9 million in 2024 to RMB23,214.7 million in 2025; the increase was due to higher procurement costs of raw materials, which was generally in line with the increased vehicle deliveries. Our gross profit increased significantly from RMB961.3 million in 2024 to RMB2,416.6 million in 2025, mainly due to increased revenue. Our gross profit margin improved from 6.3% in 2024 to 9.4% in 2025, primarily due to a decrease in cost per unit as a result of (i) an increase in vehicle sales to overseas markets, which typically have higher profit margins; and (ii) economies of scale from increased vehicle production and delivery volume and various cost reduction initiatives. These initiatives includes supply chain collaboration to improve cost efficiency, optimizing of product configurations and enhanced operation efficiency.

Research and Development Expenses

Our research and development expenses increased by 71.8% from RMB1,214.1 million in 2024 to RMB2,085.7 million in 2025. The increase in research and development expenses was primarily due to (i) a significant increase in employee compensation expenses driven by our efforts to strengthen our research and development capabilities by expanding our R&D team through the recruitment of additional personnel; and (ii) an increase in depreciation and amortization driven by higher amortization charges resulting from the increase in capitalized R&D expenditures.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 8.1% from RMB3,036.3 million in 2024 to RMB3,281.1 million in 2025, primarily due to (i) an increase in brand and marketing expenses driven by the sales service fees for sold vehicles, which increased in line with our cumulative sales growth, and brand building, model promotion and operational initiatives; and (ii) an increase in channel expenses driven by our ongoing expansion of distributor network and growth in sales volume.

Administrative Expenses

Our administrative expenses increased by 8.5% from RMB705.9 million in 2024 to RMB765.8 million in 2025, primarily due to (i) an increase in employee compensation expenses driven by the expansion of our administrative team consistent with our business expansion; and (ii) an increase in other taxes driven by the commencement of deliveries of range-extended vehicles in September 2024, which resulted in the incurrence of consumption tax and corresponding surcharges.

Other Income and Gains

Our other income increased by 59.4% from RMB120.7 million in 2024 to RMB192.4 million in 2025, primarily due to (i) an increase in bank cash balances driven by improved operating cash flow and cash management; and (ii) a significant increase in government grants driven by our receipt of government subsidies. These grants are provided by the government to support our business operations.

Finance Costs

Our finance costs increased by 4.5% from RMB104.9 million in 2024 to RMB109.6 million in 2025, primarily due to an increase in other finance costs, partially offset by a decrease interest in bank and other borrowings.

Loss for the Year

As a result of the foregoing, our net loss decreased by 13.2% from RMB4,018.0 million in 2024 to RMB3,488.9 million in 2025.

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

Revenue

Our total revenue increased significantly from RMB5,645.4 million in 2023 to RMB15,195.2 million in 2024. The increase was primarily due to an increase in NEPV sales. Revenue from NEPV sales increased significantly from RMB5,542.0 million in 2023 to RMB14,417.3 million in 2024. The increase was primarily attributable to an increase in sales volume of our intelligent NEPVs from 20,021 to 61,588, as well as the commencement of deliveries of our new model, AVATR 07 in 2024. We delivered 21,493 units of AVATR 07 in 2024, representing 34.9% of our total sales volume.

Cost of Sales, Gross Loss/Profit and Gross Loss/Profit Margin

Our cost of sales increased significantly from RMB5,814.8 million in 2023 to RMB14,233.9 million in 2024, which was generally in line with an increase in vehicle deliveries. However, as our sales of passenger vehicles experienced significant growth in the same year, our gross loss of RMB169.5 million in 2023 turned into gross profit of RMB961.3 million in 2024. Our gross loss margin of 3.0% in 2023 changed to gross profit margin of 6.3% in 2024, primarily due to a decrease in cost per unit as a result of economies of scale from increased vehicle production and delivery volume and various cost reduction initiatives. These initiatives include supply chain collaborations to improve cost efficiency, optimizing of product configurations and enhanced operation efficiency.

Research and Development Expenses

Our research and development expenses increased by 83.9% from RMB660.1 million in 2023 to RMB1,214.1 million in 2024. The increase in research and development expenses was primarily due to (i) an increase in design and development expenses driven by the simultaneous development of multiple vehicle models and an increase in investment in research and development activities; and (ii) an increase in depreciation and amortization driven by higher amortization charges resulting from an increase in capitalized R&D expenditures.

Selling and marketing expenses

Our selling and marketing expenses increased by 31.8% from RMB2,304.3 million in 2023 to RMB3,036.3 million in 2024, primarily due to (i) an increase in brand and marketing expenses, driven by the investment in brand building, model promotion and operational initiatives as well as the increased sales service fees, which were in line with sales growth; and (ii) an increase in channel expenses driven by our ongoing expansion of distributor network and growth in sales volume.

Administrative Expenses

Our administrative expenses increased by 21.8% from RMB579.6 million in 2023 to RMB705.9 million in 2024, primarily due to (i) an increase in employee compensation expenses driven by the expansion of our administrative team in line with our business expansion; (ii) an increase in other taxes primarily driven by an increase in the payment of additional consumption tax surcharges in connection with the launch of our range-extended vehicle models in 2024; and (iii) an increase in professional services fees driven by the expansion of our business.

Other Income and Gains

Our other income and gains remained relatively stable from RMB122.5 million in 2023 to RMB120.7 million in 2024.

Finance costs

Our finance costs increased by 23.3% from RMB85.1 million in 2023 to RMB104.9 million in 2024, primarily due to an increase in interest expenses on bank and other borrowings as a result of an increase in total loan amount for the year.

Loss for the Year

As a result of the foregoing, our net loss increased by 8.8% from RMB3,692.5 million in 2023 to RMB4,018.0 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Total non-current assets	2,249,478	6,194,055	16,444,937
Total current assets	10,394,569	22,959,978	12,919,555
Total assets	**12,644,047**	**29,154,033**	**29,364,492**
Total non-current liabilities	789,993	2,316,151	2,364,085
Total current liabilities	9,760,275	18,247,752	21,204,147
Total liabilities	**10,550,268**	**20,563,903**	**23,568,232**
Net assets	**2,093,779**	**8,590,130**	**5,796,260**
Equity attributable to owners of the parent			
Share capital	1,994,965	3,006,328	3,065,147
Reserves	98,814	5,583,802	2,731,113
Total equity	**2,093,779**	**8,590,130**	**5,796,260**

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

	As of December 31,			As of April 30, 2026
	2023	2024	2025	
		(RMB'000)		
				(Unaudited)
Current assets				
Inventories	2,509,297	2,426,681	2,124,056	2,884,930
Trade and notes receivables	74,819	172,750	280,965	703,057
Prepayments, other receivables and other assets	654,874	989,641	775,858	1,495,454
Restricted bank deposits	16,521	47,572	51,244	74,865
Cash and cash equivalents	7,139,058	19,323,334	9,687,432	6,249,141
Total current assets	**10,394,569**	**22,959,978**	**12,919,555**	**11,407,447**

	As of December 31,			As of April 30,
	2023	2024	2025	2026
		(RMB'000)		
				(Unaudited)
Current liabilities				
Trade and notes payables	4,312,927	8,688,503	12,089,121	9,544,128
Other payables and accruals	2,378,786	3,984,116	4,875,805	4,002,321
Contract liabilities	496,408	352,181	526,723	483,900
Interest-bearing bank and other borrowings	2,455,591	5,034,126	3,563,013	2,407,972
Lease liabilities	94,201	39,695	24,830	27,217
Deferred income	–	63,010	–	–
Tax payable	–	–	1,575	1,575
Provision	22,362	86,121	123,080	120,162
Total current liabilities	**9,760,275**	**18,247,752**	**21,204,147**	**16,587,275**
Net current assets/(liabilities)	**634,294**	**4,712,226**	**(8,284,592)**	**(5,179,828)**

Our net current liabilities decreased from RMB8,284.6 million as of December 31, 2025 to RMB5,179.8 million as of April 30, 2026, primarily due to decreases in current liabilities, including (i) a decrease in trade and notes payables of RMB2,545.0 million; (ii) a decrease in interest-bearing bank and other borrowings of RMB1,155.0 million; and (iii) a decrease in other payables and accruals of RMB873.5 million. Such decrease was partially offset by a decrease in cash and cash equivalents of RMB3,438.3 million, primarily driven by continued investment in R&D and marketing, as well as payments to suppliers following the alignment of payment terms to within 60 days.

Our net current assets of RMB4,712.2 million as of December 31, 2024 changed to net current liabilities of RMB8,284.6 million as of December 31, 2025. This was primarily due to (i) a significant decrease of RMB9,635.9 million in cash and cash equivalents mainly related to the payment of consideration for our strategic investment in Yinwang; (ii) a decrease of RMB213.8 million in prepayments, other receivables and other assets, primarily because the first tranche of consideration paid in 2024 in relation to our strategic investment in Yinwang was reclassified from current assets and recognized as non-current assets in 2025; (iii) an increase of RMB3,400.6 million in trade and notes payables arising from our continued investment in operations and the need to support higher production and delivery volumes; and (iv) an increase of RMB891.7 million in other payables and accrued expenses, primarily attributable to our continued investment in research and development and marketing initiatives. For details of our investment in Yinwang, see "History, Development and Corporate Structure — Acquisitions, Mergers and Disposals."

Our net current assets increased significantly from RMB634.3 million as of December 31, 2023 to RMB4,712.2 million as of December 31, 2024. This was primarily due to (i) an increase of RMB12,184.3 million in cash and cash equivalents as a result of additional long-term bank borrowings and proceeds received from Series C Financing; and (ii) an increase of RMB97.9 million in trade and notes receivables resulting from increased revenue generated from sales to distributors, which was partially offset by (i) an increase of RMB4,375.6 million in trade and notes payables; (ii) an increase of RMB1,605.3 million in other payables and accruals; and (iii) an increase of RMB2,578.5 million in interest-bearing bank and other borrowings.

To improve our net current liabilities position, we intend to enhance operating cash generation, improve profitability and maintain disciplined working capital management by: (i) optimizing our product mix toward higher-margin models and configurations, including by launching new models positioned in higher market segments, which we expect will support higher average selling prices and gross margins; (ii) expanding sales in selected overseas markets where premium intelligent NEPVs may achieve relatively higher margins; (iii) maintaining strict control over inventory levels, closely monitoring receivables and distributor settlements and continuing to improve inventory turnover to reduce cash tied up in working capital, as reflected by the improvement in our inventory turnover days from 96.1 days in 2023 to 35.8 days in 2025; (iv) leveraging greater purchasing scale, specification standardization, platform and component reuse and strategic collaboration with key partners to reduce unit costs and improve manufacturing consistency; and (v) continuing disciplined pricing and channel management supported by product differentiation and brand building to reduce reliance on price-driven competition and limit unnecessary discounting. We believe these measures will help strengthen realized pricing, improve gross margins and operating cash flow and support a progressive improvement in our net current liabilities position over time.

Property, Plant and Equipment

Our property, plant and equipment consisted of machinery and equipment related to our NEPV production lines, motor vehicles, leasehold improvement, construction in progress in relation to our self-operated stores and production tools, and others. NEPV production lines and production tools primarily represent production lines, tooling, molds and model-specific equipment used in the manufacturing process that are procured and owned by us, while Changan Automobile remains responsible for the physical assembly of our NEPVs under our manufacturing arrangements. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Machinery and equipment	377,847	694,899	665,640
Motor vehicles	2,498	3,753	4,673
Leasehold improvement	43,195	22,936	14,181
Construction in progress	61,061	63,609	41,606
Others	49,701	60,830	76,142
Total	**534,302**	**846,027**	**802,242**

Our property, plant and equipment decreased by 5.2% from RMB846.0 million to RMB802.2 million as of December 31, 2024 and 2025, respectively. Our property, plant and equipment further increased by 58.3% from RMB534.3 million as of December 31, 2023 to RMB846.0 million as of December 31, 2024, primarily due to an increase of RMB317.1 million in machinery and equipment resulting from capital expenditures in connection with our new vehicle launch.

Right-of-Use Assets

Our right-of-use assets consisted of leased properties for office premises and self-operated stores. Our right-of-use assets increased from RMB63.5 million as of December 31, 2024 to RMB94.4 million as of December 31, 2025, primarily due to the recognition of new right-of-use assets in connection with two new office premises. Our right-of-use assets decreased from RMB137.6 million as of December 31, 2023 to RMB63.5 million as of December 31, 2024, due to the transfer of certain right-of-use assets relating to self-operated stores to distributors in June 2024.

Other Intangible Assets

Our intangible assets consisted of (i) software; (ii) technology know-how; and (iii) capitalized development expenditures. The following table sets forth a breakdown of our other intangible assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Software	19,891	36,377	66,134
Technology know-how	1,034,414	2,022,934	2,817,041
Capitalised development expenditures	404,039	813,610	864,525
Total	**1,458,344**	**2,872,921**	**3,747,700**

The increase in other intangible assets during the Track Record Period was primarily due to a significant increase in technology know-how as a result of our R&D efforts.

Inventories

Our inventories primarily comprised (i) raw materials; (ii) finished goods; and (iii) spare parts and others. Finished goods primarily consist of intelligent NEPVs ready for transit at production plants, intelligent NEPVs in transit and new intelligent EVs available for immediate sale at our self-operated stores. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	487,736	295,575	794,861
Finished goods	1,985,371	2,059,880	1,238,291
Spare parts and others	36,190	71,226	90,904
Total	**2,509,297**	**2,426,681**	**2,124,056**

Our inventories decreased from RMB2,426.7 million as of December 31, 2024 to RMB2,124.1 million as of December 31, 2025, due to a decrease of RMB821.6 million of finished goods resulting from our efforts to improve the turnover of finished goods. Specifically, we improved inventory turnover through integrated sales, production, logistics and delivery operations, resulting in continued inventory optimization and reduced capital tied up in inventory.

Our inventories decreased from RMB2,509.3 million as of December 31, 2023 to RMB2,426.7 million as of December 31, 2024, due to a decrease of RMB192.2 million in raw materials resulting from our enhanced inventory management measures, including the application of big data analytics and industry seasonality indices to optimize demand forecasting, as well as the flexible adjustment of production and procurement plans based on actual orders and sales trends. The following table sets forth our inventory turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(Days)	
Inventory turnover days[1]	96.1	63.3	35.8

Note:

(1) Calculated using the average of opening balance and closing balance of the inventories for such years divided by cost of sales for the relevant years and multiplied by the number of days during such years (i.e., 365 days for a fiscal year).

During the Track Record Period, our inventory turnover days have generally decreased, primarily due to improved demand forecasting through big data analytics, seasonal index modeling, and flexible production and procurement planning aligned with actual order trends. As of April 30, 2026, RMB1,554.4 million, or approximately 73.2% of our inventory balance as of December 31, 2025, had been sold or utilized.

The following table sets out an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,481,597	2,348,063	2,045,983
Over 1 year	27,700	78,618	78,073
Total	**2,509,297**	**2,426,681**	**2,124,056**

Trade and Notes Receivables

Our trade and notes receivables mainly comprised unsettled amounts due from customers in the ordinary course of business. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	69,083	130,890	283,572
Notes receivables	5,736	42,347	983
Impairment	–	(487)	(3,590)
Total	**74,819**	**172,750**	**280,965**

Our trade and notes receivables increased from RMB74.8 million as of December 31, 2023 to RMB172.8 million as of December 31, 2024 and further increased to RMB281.0 million as of December 31, 2025, primarily due to an increase in trade receivables in line with our sales growth during the Track Record Period especially in overseas markets where we may grant credit terms. Sales of our NEPVs are normally settled in advance of delivery. However, in the case of overseas customers, we may offer them credit terms of approximately 90 days. The following table sets forth an aging analysis of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	74,819	170,512	277,784
1 to 2 years	–	2,238	3,181
Total	**74,819**	**172,750**	**280,965**

The following table sets forth our trade receivables turnover for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(Days)	
Trade and notes receivables turnover days[(1)]	3.1	3.0	3.2

Note:

(1) Calculated using the average of opening and closing balances of trade and notes receivables for such years divided by the total revenue for the relevant years and multiplying by the number of days during such years (i.e., 365 days for a fiscal year).

During the Track Record Period, our turnover days increased from 3.0 days in 2024 to 3.2 days in 2025 due to an increase in our overseas sales volumes. Our trade and notes receivables turnover days remained relatively stable from 3.1 days in 2023 to 3.0 days in 2024. As of April 30, 2026, RMB264.5 million, or approximately 94.1% of our trade and notes receivables as of December 31, 2025, had been subsequently settled. Our Directors confirm that we do not face any material difficulties in recovering our trade receivables and we made sufficient provision for impairment losses on the trade and notes receivables.

Trade and Notes Payables

Trade and notes payables mainly consisted of payables for the purchase of raw materials. Trade and notes payables are presented as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). The following table sets forth a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,296,244	5,115,673	5,028,752
Notes payables	3,016,683	3,572,830	7,060,369
Total	**4,312,927**	**8,688,503**	**12,089,121**

Our trade and notes payables increased from RMB4,312.9 million as of December 31, 2023 to RMB8,688.5 million as of December 31, 2024 and then increased to RMB12,089.1 million as of December 31, 2025. The increasing trend was primarily due to an increase in the purchase of raw materials, driven by the increase in production volume of our NEPVs which was in line with our business growth over the Track Record Period. Under our manufacturing arrangement with Changan Automobile, we are responsible for all costs incurred during the vehicle manufacturing process, including but not limited to raw material procurement, transportation of components and other related expenses. The following table sets forth an aging analysis of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,312,927	8,680,947	12,088,441
Over 1 year	–	7,556	680
Total	**4,312,927**	**8,688,503**	**12,089,121**

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

	Year ended December 31,		
	2023	2024	2025
		(Days)	
Trade and notes payables turnover days[1]	155.8	166.7	163.3

Note:

(1) Calculated using the average of opening and closing balances of trade and notes payables for such years divided by the total cost of sales for the relevant years and multiplying by the number of days during such years (i.e., 365 days for a fiscal year).

During the Track Record Period, the trade and notes payables turnover days remained relatively stable from 155.8 days in 2023 to 166.7 days in 2024 and decreased from 166.7 days in 2024 to 163.3 days in 2025. As of April 30, 2026, RMB10,224.0 million, or approximately 84.6% of our trade and notes payables as of December 31, 2025, had been settled.

Other Payables and Accruals

Other payables and accruals primarily consist of accrued salaries, bonuses and benefits, marketing and promotion services payables and research and development expenses. Our payables and accruals increased from RMB2,378.8 million as of December 31, 2023 to RMB3,984.1 million as of December 31, 2024, primarily due to (i) an increase in marketing and promotion services payables to promote our new vehicle models; and (ii) an increase in research and development payables as we conducted more R&D activities to improve the competitiveness of our products and technologies. Our other payables and accruals increased from RMB3,984.1 million as of December 31, 2024 to RMB4,875.8 million as of December 31, 2025, primarily due to (i) an increase in research and development payables as we continued to invest in research and development activities to enhance the competitiveness of our products and technologies; and (ii) an increase in refund liabilities, primarily relating to sales rebate arrangements. As of April 30, 2026, RMB2,594.2 million, or approximately 53.2% of our other payables and accruals as of December 31, 2025, had been settled.

Contract Liabilities

Our contract liabilities represented (i) payments received in advance of revenue recognition from our customers for vehicle sales; and (ii) long-term advances received to provide extended warranty service. Our contract liabilities amounted to RMB499.3 million, RMB355.8 million and RMB532.6 million as of December 31, 2023, 2024 and 2025, respectively. As of April 30, 2026, RMB444.6 million, or approximately 83.5% of our contract liabilities as of December 31, 2025, had been settled.

Provision

Our provision represented (i) warranties in relation to the sale of passenger vehicles, automotive parts and components; and (ii) compensation to suppliers. Our provision amounted to RMB123.5 million, RMB367.9 million and RMB507.6 million as of December 31, 2023, 2024 and 2025, respectively. Our provisions for warranties are initially recognized based on sales volume and past experience of the level of repairs and returns, and the estimate is reviewed on an ongoing basis and revised when appropriate. The warranty provision amounted to RMB121.6 million, RMB354.5 million and RMB496.1 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, we recorded additions to warranty provisions of RMB129.1 million, RMB289.6 million and RMB231.3 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements mainly through cash generated from operating activities, capital paid in from Pre-[**REDACTED**] investors and bank loans. As of December 31, 2023, 2024, 2025 and April 30, 2026, we had cash and cash equivalents of approximately RMB7,139.1 million, RMB19,323.3 million, RMB9,687.4 million and RMB6,249.1 million, respectively. Our financial strategy includes diligent monitoring of our cash flows and balances to ensure sufficient liquidity for operational needs. Throughout the Track Record Period, we managed our financial obligations, repaying bank loans in time and effectively mitigating liquidity risks. This was achieved by preserving adequate reserves, utilizing credit lines and aligning the maturity timelines of our financial assets and liabilities, ensuring we faced no cash shortages. As of April 30, 2026, we had unutilized banking facilities of RMB14,898.7 million.

Going forward, we anticipate that our operating cash flows, credit lines and the net [**REDACTED**] from the [**REDACTED**] will collectively fulfill our working capital, capital expenditures and liquidity needs. Our capacity to meet financial commitments and debt obligations, reduce debt and cover expenses will hinge on our operational performance and cash flow generation, which, in turn, are influenced by economic conditions, customer expenditure levels and various external factors. As we navigate future business landscapes, we may require additional funds. Opportunities such as strategic investments, acquisitions or partnerships may also necessitate further financial resources. Should our current funds prove inadequate, we will consider securing additional credit or engaging in equity financing, acknowledging that such actions could dilute existing shareholder value.

Cash Flows

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

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from/ (used in) operating activities	(800,922)	1,755,141	2,315,453
Net cash used in investing activities	(1,147,631)	(3,799,690)	(10,689,131)
Net cash generated from/ (used in) financing activities	5,871,308	14,228,920	(1,263,030)
Net increase/(decrease) in cash and cash equivalents	3,922,755	12,184,371	(9,636,708)
Cash and cash equivalents at beginning of year	3,217,445	7,139,058	19,323,334
Effect of foreign exchange rate changes, net	(1,142)	(95)	806
Cash and cash equivalents at the end of the year	7,139,058	19,323,334	9,687,432

Net Cash Generated from/(Used in) Operating Activities

In 2025, our net cash generated from operating activities was RMB2,315.5 million, reflecting our loss before income tax of RMB3,487.1 million, adjusted by non-cash and non-operating items and movements in working capital. Our movements in working capital primarily reflect (i) an increase in trade and notes payables of RMB3,416.6 million; (ii) an increase in other payables and accruals of RMB508.4 million; (iii) a decrease in prepayments, other receivables and other assets of RMB388.7 million, and (iv) a decrease in inventories of RMB253.5 million, partially offset by an increase in trade and notes receivables of RMB111.3 million.

In 2024, our net cash generated from operating activities was RMB1,755.1 million. Our net cash generated from operating activities is calculated by adjusting our loss before income tax of RMB4,018.0 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB3,216.8 million. Our movements in working capital primarily reflect (i) an increase in trade and notes payables of RMB4,355.9 million; (ii) an increase in other payables and accruals of RMB743.1 million; and (iii) an increase in provision of RMB244.4 million, partially offset by (i) a decrease in contract liabilities of RMB143.5 million; (ii) an increase in trade and notes receivables of RMB98.4 million; and (iii) an increase in prepayments, other receivables and other assets of RMB72.2 million.

In 2023, our net cash used in operating activities was RMB800.9 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB3,692.5 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB3,029.3 million. Our movements in working capital primarily reflect (i) an increase in trade and notes payables of RMB3,644.5 million; (ii) an increase in other payables and accruals of RMB581.0 million; and (iii) an increase in contract liabilities of RMB463.8 million, partially offset by (i) an increase in inventories of RMB2,225.6 million; and (ii) an increase in prepayments, other receivables and other assets of RMB305.4 million.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities was RMB10,689.1 million. This was attributable to the (i) investment in an associate of RMB9,200.0 million; (ii) purchases of other intangible assets of RMB1,362.5 million; and (iii) purchases of items of property, plant and equipment of RMB371.6 million, partially offset by receipt of asset-related government grants of RMB243.2 million.

In 2024, our net cash used in investing activities was RMB3,799.7 million. This was attributable to (i) the prepayment for acquisition of an associate of RMB2,300.0 million; and (ii) purchases of other intangible assets of RMB1,213.5 million, partially offset by receipt of asset-related government grants of RMB62.5 million.

In 2023, our net cash used in investing activities was RMB1,147.6 million. This was primarily attributable to purchase of other intangible assets of RMB957.2 million.

Net Cash Generated from/(Used in) Financing Activities

In 2025, our net cash used in financing activities was RMB1,263.0 million, primarily attributable to repayments of bank and other borrowings of RMB5,536.6 million, partially offset by proceeds from new bank and other borrowings of RMB3,831.7 million.

In 2024, our net cash generated from financing activities was RMB14,228.9 million, primarily attributable to (i) capital paid in of RMB10,490.5 million from [**REDACTED**] investors; and (ii) proceeds from bank and other borrowings of RMB7,069.4 million, partially offset by repayments of bank and other borrowings of RMB3,134.1 million.

In 2023, our net cash generated from financing activities was RMB5,871.3 million, primarily attributable to (i) proceeds from bank and other borrowings of RMB3,434.0 million; and (ii) capital paid in of RMB3,000.0 million from [**REDACTED**] investors, partially offset by repayment of bank and other borrowings of RMB374.3 million.

Liquidity Risk Management Measures

Our operating cash flow improved from net operating cash outflow position in 2023, to a net operating cash inflow position of RMB1,755.1 million and RMB2,315.5 million in 2024 and 2025. Our net current liabilities decreased from RMB8,284.6 million as of December 31, 2025 to RMB5,179.8 million as of April 30, 2026. We intend to continue improving our net current liabilities position by increasing operating cash inflows, reducing cash tied up in inventories and receivables, managing supplier settlements in line with our production and delivery schedules, and maintaining sufficient funding resources. We will continue to closely monitor our cash flows from operating activities and adopt a disciplined approach to managing our liquidity position. In particular:

- *Working capital discipline.* We intend to enhance cash generation from operations by tightening control over key working capital items. We will maintain disciplined launch calendars and inventory coverage, and strengthen receivables and distributor-settlement monitoring. Our inventory turnover improved from 96.1 days in 2023 to 63.3 days in 2024 and 35.8 days in 2025, and as of April 30, 2026, RMB1,554.4 million, or approximately 73.2% of our inventory balance as of December 31, 2025, had been sold or utilized. As of April 30, 2026, RMB264.5 million, or approximately 94.1% of our trade and notes receivables as of December 31, 2025, had been subsequently settled. We aim to preserve tight inventory management to reduce cash tied up in inventories. We will continue to monitor supplier payment schedules and settlement arrangements in line with our production plans, expected delivery schedules and available liquidity resources. As of April 30, 2026, RMB10,224.0 million, or approximately 84.6% of our trade and notes payables as of December 31, 2025, had been settled.

- *Expense efficiency.* Selling and marketing is a major component of our operating expenses, accounting for 40.8%, 20.0%, and 12.8% of our total revenue in 2023, 2024 and 2025, respectively. As our product portfolio and channel network mature, we intend to improve selling and marketing efficiency over time by standardizing product-launch processes, increasing reuse of marketing content and digital assets across models through our integrated product development and marketing systems, while maintaining sufficient investment to support brand visibility and sales growth.

- *Procurement and integration costs.* We aim to lower our unit cost base by strengthening purchasing scale and specification standardization and by reusing common platforms and components, including our AEEA intelligent platform architecture that enables software and hardware reuse across models. These measures allow us to improve material cost efficiency, manufacturing consistency and supply-chain coordination as volumes scale. We expect our long-term collaborations, including with CATL on next-generation battery technologies and platform work and with Huawei on intelligent vehicle systems and the co-creation model with Yinwang, to facilitate earlier access to technologies, avoid duplicative investment and support unit-cost optimization under our asset-light model. These measures are also expected to reduce cash requirements for procurement and product integration as our sales volume increases.

- *Product and pricing discipline.* Consistent with our strategy to optimize product mix and improve margin, we plan to concentrate marketing and resources on model-configuration combinations with better unit economics and to pace introductions at lower price points to balance scale with margin performance. We also plan to apply disciplined pricing and channel governance, including model-specific guidance to distributors, to reduce unnecessary discounting and protect the value of higher-margin offerings, while maintaining sufficient entry-level coverage to support customer acquisition and conversion.

- *Capital allocation and funding*. We intend to prioritize research and development and capital-expenditure projects with clearer commercialization visibility and shorter payback periods. Together with our cash and cash equivalents as of December 31, 2025 and the expected net [**REDACTED**] from the [**REDACTED**], we plan to support inventory coverage, supplier settlements and liquidity buffers during the scale-up phase. As of April 30, 2026, we also had unutilized banking facilities of RMB14,898.7 million available to us, providing additional funding flexibility.

Liquidity Risk Management Policy

We maintain a structured liquidity risk framework that includes: (i) rolling 12-month cash flow forecasts that are updated to reflect our delivery schedules and sales data; (ii) minimum on-hand cash buffers calibrated to our average monthly operating cash outflows and our expected near-term cash needs, including supplier settlements and planned launch expenditures; (iii) an early-warning budgeting policy under which management must escalate and implement measures, such as tightening working capital, deferring non-critical spending, or drawing on committed facilities, if projected cash approaches the buffer or forecast headroom narrows below pre-set thresholds; (iv) counterparty-concentration monitoring for distributors and key suppliers with adjustments to credit and settlement terms where appropriate; and (v) funding diversification, including the use of committed banking facilities, capital-market access and the allocation of expected [**REDACTED**]. This framework is overseen by senior management and reviewed regularly to align operating plans with the liquidity resources.

INDEBTEDNESS

Our indebtedness primarily consisted of interest-bearing bank and other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current				
Interest-bearing bank and other borrowings	2,455,591	5,034,126	3,563,013	2,407,972
Lease liabilities	94,201	39,695	24,830	27,217
Non-current				
Interest-bearing bank and other borrowings	635,000	2,003,980	1,770,160	5,760,000
Lease liabilities	50,498	26,750	64,911	71,150
Total	**3,235,290**	**7,104,551**	**5,422,914**	**8,266,339**

Interest-Bearing Bank and Other Borrowings

As of December 31, 2023, 2024, 2025 and April 30, 2026, our interest-bearing bank and other borrowings were RMB3,090.6 million, RMB7,038.1 million, RMB5,333.2 million and RMB8,168.0 million, respectively, primarily consisting of unsecured bank loans used to supplement our working capital and fund our capital expenditures.

As of December 31, 2023, 2024, 2025 and April 30, 2026, borrowings from the sale and leaseback arrangements were RMB95.6 million, RMB13.1 million, RMB26.4 million and RMB18.2 million, respectively, which were secured by the vehicles under the sale and leaseback arrangements. As of April 30, 2026, we had unutilized banking facilities of RMB14,898.7 million.

Lease Liabilities

Our lease liabilities represented outstanding lease payments primarily in respect of our leased buildings and properties. As of December 31, 2023, 2024, 2025 and April 30, 2026, we recognized lease liabilities of RMB144.7 million, RMB66.4 million, RMB89.7 million and RMB98.4 million, respectively. The lease liabilities decreased from RMB144.7 million as of December 31, 2023 to RMB66.4 million as of December 31, 2024, primarily attributable to our lease of office premises and directly operated stores. The lease liabilities increased from RMB66.4 million as of December 31, 2024 to RMB89.7 million as of December 31, 2025 and RMB98.4 million as of April 30, 2026, primarily due to the lease of new office premises.

Contingent Liabilities

As of December 31, 2023, 2024, 2025 and April 30, 2026, we did not have any contingent liabilities. Our Directors confirm that as of the Latest Practicable Date, there was no material restrictive covenant in the agreements under our borrowings which could significantly limit our ability to obtain future financing. Our Directors further confirm that there was no material default in our borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Indebtedness Statement

Except as disclosed above, as of April 30, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, other recognized lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has been no material change in our indebtedness since April 30, 2026 and up to the date of the Document. As of the Latest Practicable Date, there was no material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

CAPITAL COMMITMENTS

Our capital commitments in 2023, 2024 and 2025 were mainly construction in progress and capital commitments for an investment in an associate. See Note 32 of Appendix I to this document. The following table sets forth our capital commitments for the years indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Construction in progress	205,558	57,394	117,411
Capital commitment for acquisition of an associate[1]	–	9,200,000	–
Total	**205,558**	**9,257,394**	**117,411**

Note:

(1) Such commitment was settled in full as of the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures were RMB1,269.7 million, RMB2,225.6 million and RMB1,985.7 million in 2023, 2024 and 2025, respectively. In these respective years, our capital expenditures were primarily used for the purchase of production machinery for our new intelligent NEPV models and capitalized research and development expenditures. We expect to finance such capital expenditures through existing cash on hand, bank loans and the net [**REDACTED**] from the [**REDACTED**]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years indicated.

	Year ended/As of December 31,		
	2023	2024	2025
Gross profit/(loss) margin(%)[1]	(3.0)	6.3	9.4
Current ratio[2]	1.1	1.3	0.6
Quick ratio[3]	0.8	1.1	0.5
Gearing ratio(%)[4]	83.4	70.5	80.3

Notes:

(1) Gross profit/(loss) margin was calculated by dividing gross profit/(loss) by revenue for the years indicated and multiplied by 100%.

(2) Current ratio was calculated by dividing total current assets by total current liabilities as of the dates indicated.

(3) Quick ratio was calculated based on total current assets less inventories divided by total current liabilities as of the dates indicated.

(4) Gearing ratio was calculated based on total liabilities divided by total assets as of the relevant end of years multiplied by 100%.

Our current ratio increased from 1.1 in 2023 to 1.3 in 2024, primarily due to an increase in cash and cash equivalents. Our current ratio decreased from 1.3 in 2024 to 0.6 in 2025, primarily due to a substantial decrease in cash and cash equivalents, which was mainly attributable to cash used for our strategic investment in Yinwang, and an increase in current liabilities, particularly trade and notes payables and other payables and accruals, as our business continued to expand.

Our quick ratio increased from 0.8 in 2023 to 1.1 in 2024, primarily due to an increase in cash and cash equivalents. Our quick ratio decreased from 1.1 in 2024 to 0.5 in 2025, primarily due to a substantial decrease in cash and cash equivalents and an increase in current liabilities, particularly trade and notes payables and other payables and accruals, partially offset by an increase in trade and notes receivables.

Our gearing ratio decreased from 83.4% in 2023 to 70.5% in 2024, primarily due to an increase in cash and non-current assets. Our gearing ratio increased from 70.5% in 2024 to 80.3% in 2025, primarily because our total liabilities increased while our total assets remained relatively stable, mainly due to the increase in trade and notes payables and other payables and accruals, partially offset by the decrease in interest-bearing bank and other borrowings.

Our liquidity position tightened from December 31, 2024 to December 31, 2025, with our current ratio decreasing from 1.3 to 0.6 and our quick ratio decreasing from 1.1 to 0.5 during the same period. This was primarily attributable to (i) a reduction in liquid current assets resulting from our strategic investment in Yinwang, as a substantial portion of our cash and cash equivalents was used to pay the consideration for such investment and the investment was subsequently recognized as a long-term equity investment under non-current assets; and (ii) increased working capital requirements associated with the continued expansion of our business, including higher expenditures on procurement, research and development and sales and marketing activities to support our growing product portfolio and expanding sales and service network. As a result, our liquidity position tightened as of December 31, 2025, reflecting the combined impact of significant investment outflows and elevated operating funding requirements during our growth phase.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks in the course of our business, including foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Directors are responsible for the review of policies for managing these risks. See note 36 of Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our related transactions during the Track Record Period, see Note 34 of Appendix I to this document. Our balance with related parties that was non-trade in nature represented interest-bearing bank and other borrowings with China South Industries Group Finance of RMB820.0 million, RMB1,500.0 million and RMB310.0 million as of December 31, 2023, 2024 and 2025, respectively. Such borrowings with related parties will be fully settled before the [**REDACTED**].

Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants' Report in Appendix I to this document were conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

DIVIDEND POLICY

We currently do not have any fixed dividend policy nor pre-determined dividend payout ratio. No dividend was paid or declared by our Company during the Track Record Period. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view, and the Joint Sponsors concur, that we possess sufficient working capital, including sufficient cash and liquidity assets for the next 12 months from the date of the document, taking into account of (i) cash and cash equivalents of RMB9,687.4 million as of December 31, 2025, (ii) the estimated net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (assuming the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and that the [**REDACTED**] is not exercised), (iii) our unutilized banking facilities of RMB14,898.7 million as of April 30, 2026, and (iv) our expected operating cash inflows from ongoing vehicle deliveries under our current sales plan.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Unaudited [**REDACTED**] Financial Information in Appendix II to this document for details.

[REDACTED]

[**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We estimate that our [**REDACTED**] will be approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range) and no exercise of the [**REDACTED**]), which accounts for approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**]. We estimate the [**REDACTED**] to consist of approximately HK$[**REDACTED**] in [**REDACTED**] fees and HK$[**REDACTED**] in [**REDACTED**] fees (which consist of fees and expenses of legal advisors and our Reporting Accountant of approximately HK$[**REDACTED**] and other fees and expenses of approximately HK$[**REDACTED**]). Among the total [**REDACTED**], approximately HK$[**REDACTED**] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [**REDACTED**], and the remaining approximately HK$[**REDACTED**] will be expensed in our consolidated statements of comprehensive loss. We incurred HK$[**REDACTED**] of [**REDACTED**] during the Track Record Period and the remaining HK$[**REDACTED**] of [**REDACTED**] shall be incurred after the Track Record Period.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.